



SEBI (LODR) (SECOND AMENDMENT) REGULATIONS, 2021

- Urmit Mehta

Regulation 7: SHARE TRANSFER AGENT

Old Regulation 7(3)

- ▶ The listed entity shall submit a compliance certificate to the exchange, duly signed by both the compliance officer of the listed entity and the authorized representative of the share transfer agent, wherever applicable, within one month of end of each half of the financial year, certifying compliance with the requirements of sub- regulation (2).

New Regulation 7(3)

- ▶ The listed entity shall submit a compliance certificate to the exchange, duly signed by both the compliance officer of the listed entity and the authorized representative of the share transfer agent, wherever applicable, **within thirty days** of end of ~~each half of~~ the financial year, certifying compliance with the requirements of sub- regulation (2).

REGULATION 21: RISK MANAGEMENT COMMITTEE

Old Regulation 21

(2) The majority of members of Risk Management Committee shall consist of members of the board of directors and in case of a listed entity having outstanding SR equity shares, at least two thirds of the Risk Management Committee shall comprise of independent directors.

(3A) The risk management committee shall meet at least once in a year.

New Regulation 21

(2) The Risk Management Committee shall have minimum three members with majority of them being members of the board of directors, including at least one independent director and in case of a listed entity having outstanding SR equity shares, at least two thirds of the Risk Management Committee shall comprise independent directors.

(3A) The risk management committee shall meet at least **twice** in a year.

OTHER POINTS ON RISK MANAGEMENT COMMITTEE

- **New Sub-Regulation (3B):** The quorum for a meeting of the Risk Management Committee shall be either two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance.
- **New Sub-Regulation (3C):** The meetings of the risk management committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.
- **New Proviso to Sub-Regulation (4):** Provided that the role and responsibilities of the Risk Management Committee shall mandatorily include the performance of functions specified in Part D of Schedule II.
- **Amendment in Sub-Regulation (5):** The provisions of this regulation shall be applicable to **top 1000 listed entities**, determined on the basis of market capitalization, as at the end of the immediate previous financial year. *{Earlier it was top 500 entities}*
- **New Sub-Regulation (6):** The Risk Management Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

Schedule II Part D: Role of Risk Management Committee

1. To formulate a detailed risk management policy which shall include:
 - A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
 - Measures for risk mitigation including systems and processes for internal control of identified risks.
 - Business continuity plan.
2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
5. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
6. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

Regulation 22: Vigil Mechanism

Old Regulation 22 (1)

- ▶ The listed entity shall formulate a vigil mechanism for directors and employees to report genuine concerns.

Ne-w Regulation 22 (1)

- ▶ The listed entity shall formulate a **vigil mechanism / whistle blower policy** for directors and employees to report genuine concerns.

Regulation 24: Corporate governance requirements with respect to subsidiary of listed entity.

Old Regulation 24(5)

- ▶ A listed entity shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal, or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

New Regulation 24(5)

- ▶ A listed entity shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) **to less than or equal to fifty percent** or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal, or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

REGULATION 24A

Secretarial Audit

Every listed entity and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a company secretary in practice, in such form as may be specified with effect from the year ended March 31, 2019.

Secretarial Audit and Secretarial Compliance Report

(1) Every listed entity and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex a secretarial audit report given by a company secretary in practice, in such form as specified, with the annual report of the listed entity

(2) Every listed entity shall submit a secretarial compliance report in such form as specified, to stock exchanges, within sixty days from end of each financial year.

Regulation 25: Obligations with respect to Independent Directors.

Old Regulation 25(3)

- ▶ The independent directors of the listed entity shall hold at least one meeting in a year, without the presence of non-independent directors and members of the management and all the independent directors shall strive to be present at such meeting.

New Regulation 25(3)

- ▶ The independent directors of the listed entity shall hold at least one meeting in a **financial year**, without the presence of non-independent directors and members of the management and all the independent directors shall strive to be present at such meeting.

Regulation 26:

Obligations with respect to employees including senior management, key managerial persons, directors and promoters.

Old Regulation 26(4)

- ▶ Non-executive directors shall disclose their shareholding, held either by them or on a beneficial basis for any other persons in the listed entity in which they are proposed to be appointed as directors, in the notice to the general meeting called for appointment of such director.

New Regulation 26(4)

- ▶ ~~Non-executive directors shall disclose their shareholding, held either by them or on a beneficial basis for any other persons in the listed entity in which they are proposed to be appointed as directors, in the notice to the general meeting called for appointment of such director.~~

Regulation 27: Other Corporate Governance Requirements.

Old Regulation 27(2)(a)

- ▶ The listed entity shall submit a quarterly compliance report on corporate governance in the format as specified by the Board from time to time to the recognized stock exchange(s) within fifteen days from close of the quarter.

New Regulation 27(2)(a)

- ▶ The listed entity shall submit a quarterly compliance report on corporate governance in the format as specified by the Board from time to time to the recognized stock exchange(s) **within twenty one days from the end of each quarter.**

Regulation 29: Prior Intimations

Old Regulation 29(1)(f)

- ▶ The listed entity shall give prior intimation to stock exchange about the meeting of the board of directors in which the proposal for declaration of bonus securities where such proposal is communicated to the board of directors of the listed entity as part of the agenda papers.

New Regulation 29(1)(f)

- ▶ The listed entity shall give prior intimation to stock exchange about the meeting of the board of directors in which the proposal for declaration of bonus securities ~~where such proposal is communicated to the board of directors of the listed entity as part of the agenda papers.~~

Regulation 31A: Re-classification of Promoter as Public

- The promoter seeking reclassification shall submit request to the Company along with justification and mention that how the conditions specified in this regulation are satisfied.
- The reclassification request by Promoters shall be duly analyzed by the board of directors in **immediately next board meeting or within 3 months from the date of receipt of the request, whichever is earlier.**
- Further the Board of Directors shall consider the request and put it before the shareholders for their approval. Time gap between the Board Meeting and the shareholders meeting for consideration of re-classification request should be **minimum of 1 month and maximum of 3 months.**
- The request for re-classification shall be approved by **Ordinary Resolution** in which the promoter seeking re-classification and persons related to promoter shall not vote.
- Approval of Shareholders is not required if-
 - Shareholding of promoter and persons related to him is not more than 1% of total voting rights in the listed company.
 - Re-classification is pursuant to a divorce.
- In case of re-classification pursuant to an open offer or arrangement exemption is being provided from the requirement of seeking Board and Shareholders approval.
- In case re-classification of existing promoter or promoter group of the listed entity is as per the resolution plan approved under section 31 of the Insolvency Code, subject to the fulfillment of certain conditions.

Schedule II - Part C - Paragraph A: Role of Audit Committee

Addition of New Clause No.22 to the role of the audit committee:

- To Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders.



Schedule III - Part A - Paragraph A - Clause 4

Outcome of meetings of the Board of Directors

Old Regulation

- ▶ The listed entity shall disclose to the Exchange(s), within 30 minutes of the closure of the meeting, held to consider financial results.

New Regulation

- ▶ The listed entity shall disclose to the Exchange(s), within 30 minutes of the closure of the meeting, held to consider financial results.
- ▶ “Provided that in case of board meetings being held for more than one day, the financial results shall be disclosed within thirty minutes of end of the meeting for the day on which it has been considered.”

Schedule III - Part A - Paragraph A - Clause 9
Events deemed to be material events and listed entity
shall make disclosure of such events

Old Regulation-

- Corporate debt restructuring

New Regulation-

- Resolution plan/ Restructuring in relation to loans/borrowings from banks/financial institutions including the following details:
 - Decision to initiate resolution of loans/borrowings;
 - Signing of Inter-Creditors Agreement (ICA) by lenders;
 - Finalization of Resolution Plan;
 - Implementation of Resolution Plan;
 - Salient features, not involving commercial secrets, of the resolution/ restructuring plan as decided by lenders.

Schedule III - Part A - Paragraph A - Clause 15
Events deemed to be material events and listed entity
shall make disclosure of such events.

Old Regulation-

Schedule of Analyst or institutional investor meet and presentations on financial results made by the listed entity to analysts or institutional investors

New Regulation-

15(a) Schedule of analysts or institutional investors meet and presentations made by the listed entity to analysts or institutional investors.

Explanation: For the purpose of this clause 'meet' shall mean group meetings or group conference calls conducted physically or through digital means.

15(b) Audio or video recordings and transcripts of post earnings/quarterly calls, by whatever name called, conducted physically or through digital means, simultaneously with submission to the recognized stock exchange(s), in the following manner:

- (i) the presentation and the audio/video recordings shall be promptly made available on the website and in any case, before the next trading day or within twenty-four hours from the conclusion of such calls, whichever is earlier;
- (ii) the transcripts of such calls shall be made available on the website within five working days of the conclusion of such calls:
- The requirement for disclosure(s) of audio/video recordings and transcript shall be voluntary with effect from April 01, 2021 and mandatory with effect from April 01, 2022.



THANK YOU