



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

Consultation Paper

RECOMMENDATIONS OF THE EXPERT COMMITTEE
FOR FACILITATING EASE OF DOING BUSINESS AND
HARMONIZATION OF THE PROVISIONS OF ICDR AND
LODR REGULATIONS

JUNE 26, 2024



OBJECTIVE

1. The objective of this consultation paper is to seek comments / views / suggestions from the public and other stakeholders on the recommendations of the Expert Committee with respect to facilitating ease of doing business under the SEBI (Listing Obligations and Disclosure Requirements) (“**LODR**”) Regulations, 2015 and SEBI (Issue of Capital and Disclosure Requirements) (“**ICDR**”) Regulations, 2018 and harmonization of the provisions of the ICDR and LODR Regulations.

BACKGROUND AND CONSTITUTION OF AN EXPERT COMMITTEE

2. One of the announcements in the Union Budget for FY 2023-24, was:
“To simplify, ease and reduce cost of compliance, financial sector regulators will be requested to carry out a comprehensive review of existing regulations. For this, they will consider suggestions from public and regulated entities.....”
3. Pursuant to the Budget Announcement, an Expert Committee chaired by Shri S.K. Mohanty, ex-Whole Time Member, SEBI was set up to *inter-alia* review the LODR Regulations and ICDR Regulations from the point of view of facilitating ease of doing business and to harmonize the provisions of ICDR and LODR Regulations.
4. Further, SEBI, pursuant to its press release dated October 4, 2023, invited suggestions from the public and regulated entities to simplify, ease and reduce the cost of compliance under various SEBI regulations, including LODR and ICDR. The comments received from the public were deliberated in the Expert Committee.
5. The Expert Committee had submitted its interim recommendations on the LODR and ICDR Regulations for which SEBI had issued a consultation paper on January 11, 2024 and an addendum on February 2, 2024. The interim recommendations, with some modifications, were approved by the Board and thereafter, the amendments to the LODR and ICDR Regulations were notified on May 17, 2024.



6. Now, the Expert Committee has submitted its final recommendations on LODR and ICDR Regulations and on harmonization of the provisions of the ICDR and LODR Regulations. The report of the Expert Committee can be accessed [here](#). The report consists of three parts:

- 6.1. [Part A](#) of the report deals with recommendations relating to ease of doing business under the LODR Regulations;
- 6.2. [Part B](#) of the report deals with recommendations relating to ease of doing business under ICDR Regulations.
- 6.3. [Part C](#) of the report deals with recommendations relating to harmonization of provisions of ICDR and LODR Regulations.

A summary of the recommendations is given in the Report and can be accessed [here](#).

RECOMMENDATIONS OF THE EXPERT COMMITTEE

7. The Expert Committee has given its recommendations on the following aspects-

7.1. **Ease of doing business under the LODR Regulations**

7.1.1. Filings and Disclosures:

- a) Enabling a single filing system through API-based integration between stock exchanges
- b) Integration of periodic filings done by listed entities
- c) System driven disclosure of certain filings like shareholding pattern, revision in credit ratings etc.
- d) Permitting disclosure of information on the website of a listed entity through curated links to the Stock Exchanges
- e) Streamlining the requirements on newspaper advertisements.

7.1.2. Board of Directors and Committees:

- a) Providing a timeline of 3 months to fill up vacancies in Board Committees
- b) Time taken for regulatory, statutory or government approvals to be excluded from the timeline specified for obtaining shareholder



approval for appointment or reappointment of director of a listed entity.

7.1.3. Promoters and controlling shareholders:

- a) Streamlining the process of reclassification of promoter or promoter group entities of a listed entity.
- b) Introducing an obligation on promoter, promoter group, directors and key managerial personnel to disclose relevant information to the listed entity for ensuring compliance with LODR and other applicable laws.

7.1.4. Related party Transactions (RPTs):

- a) Exempting transactions which are uniformly applicable or offered to all shareholders / public from the definition of RPT.
- b) Exempting payment of remuneration and sitting fees to director, key managerial personnel or senior management, except those who are part of promoter or promoter group, from the requirement of audit committee approval and half-yearly disclosures
- c) Permitting ratification of RPTs by the audit committee subject to certain conditions
- d) The provision of omnibus approval to be made applicable for RPTs of subsidiaries as well
- e) Exempting transactions like payment of statutory dues, fees or charges to the Government, transactions between two public sector companies etc. from approval requirements for RPTs.

7.1.5. Disclosure of material events or information under regulation 30

- a) Additional time for disclosure of outcome of the board meeting that concludes after trading hours and for disclosure of litigations or disputes involving claims against the listed entity.
- b) Streamlining the disclosure requirements for acquisitions by listed entities



- c) Clarification with respect to disclosure of tax litigations or disputes, imposition of penalty, and certain material events specified under schedule III of LODR Regulations.

7.1.6. Other compliance requirements and obligations

- a) Relaxation from certain compliance requirements for companies coming out of the IBC framework.
- b) Subsidiary related compliance requirements – relaxation from approval requirements specified in regulation 24(6) for transactions between two wholly-owned subsidiaries of the listed entity.
- c) Reducing the mandatory time gap between two record dates and the gap between date of intimation and the actual record date.
- d) Doing away with the requirement of obtaining no-objection letter from stock exchanges for schemes involving reduction of capital on account of writing off accumulated losses, subject to certain conditions.
- e) Streamlining the requirements with respect to analyst or institutional investors meet, dispatch of annual reports, dividend warrants and postal ballots.

7.1.7. Facilitating shareholder participation in governance of listed entities

- a) Recommendation on permitting listed entities to conduct virtual or hybrid shareholder meetings on a permanent basis.

7.1.8. Strengthening corporate governance at listed entities

- a) Voluntary provisions relating to enhancing diversity in the institution of independent directors, increasing the no. of meetings of independent directors and expanding the applicability of Risk Management Committee.
- b) Mandating Compliance Officer to be designated as a key managerial personnel and to be a whole-time employee not one level below the board of directors.



- c) Introducing provisions relating to appointment, reappointment, removal and disqualifications for Secretarial Auditor of a listed entity.
- d) Ratification of pre-listing compensation or profit-sharing agreements that subsist after listing.
- e) Disclosure of additional information like Memorandum of Association, Articles of Association etc. on website of a listed entity.

7.1.9. Drafting changes to certain provisions of the LODR Regulations and related circulars.

7.2. **Ease of doing business under ICDR Regulations**

7.2.1. Price Band Advertisement and other issue related advertisements

- a) Combining pre-issue advertisement and price band advertisement as single advertisement.
- b) Disclosure of certain information with a quick response (QR) code link.
- c) Disclosure of pre-issue shareholding and post-issue shareholding for promoter, promoter group and additional top 10 shareholders.

7.2.2. Voluntarily disclosure of proforma financials in public issue, rights issue and for QIPs

- a) Permitting issuers to voluntarily disclose proforma financials for acquisition or divestment undertaken before the completion of the latest period(s) for which financial statements are disclosed.
- b) Permitting issuers to voluntarily disclose financial statements of the subsidiaries/businesses acquired or divested.
- c) Permitting issuers to voluntarily disclose proforma financials (on a consolidated basis) to disclose the impact of acquisition proposed to be done from proceeds of the issue.



7.2.3. Requirement to make public announcement after filing of draft offer document

- a) Requirement to issue advertisement disclosing the fact of filing of draft offer document with the Board within two days to be replaced with two “working days”.

7.2.4. Certification requirements where one of the objects of the issue is loan repayment

- a) Permitting Issuers to obtain the certificate for utilization of the loan from a peer reviewed chartered accountant.

7.2.5. Eligibility conditions for an IPO

- a) Enabling issuers with outstanding Stock appreciation rights (SARs) to file draft offer document (DRHP)

7.2.6. Regulation 8A of ICDR

- a) Clarification regarding additional conditions for an OFS prescribed under Regulation 8A of ICDR.

7.2.7. Reservation for employees in rights issues

- a) Deletion of provision related to reservation for employees in rights issues

7.2.8. Illustration on disclosure of weighted averages of certain ratios

- a) Disclaimer for illustration on disclosure of weighted averages of certain ratios in the basis for offer price section

7.2.9. Pre-IPO transactions

- a) Disclosure of pre-IPO transactions after filing of DRHP and details pertaining to such transactions to stock exchange(s)

7.2.10. Promoter Lock-in

- a) Clarification on Promoter Lock-in period where issue proceeds are used for Repayment of Loans and such loan have been utilized for Capital Expenditure

7.2.11. Disclosure of information on standalone basis

- a) Disclosure of information on standalone basis where issue proceeds is used to fund working capital



7.3. **Harmonization of the provisions of the ICDR and LODR Regulations**

7.3.1. Disclosures related to Material Litigation

- a) Aligning disclosures related to Material Litigation in ICDR with LODR.

7.3.2. Aligning definition for identification of Material Subsidiary thresholds

7.3.3. Disclosure of material agreements in offer documents

- a) Aligning disclosure requirement on material agreements in ICDR with LODR

7.3.4. Alignment of qualifications for the compliance officer under ICDR with the provisions of the LODR

7.3.5. Aligning definitions under ICDR and LODR

- a) Definition of the term “associate”
b) Definition for term “financial year”
c) Definition of “securities laws”
d) Definition of “SR equity shares”

PUBLIC COMMENTS

8. Public comments are invited on the final recommendations of the Expert Committee. The comments/ suggestions should be submitted latest by **July 17, 2024** through the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

9. In case of any technical issue in submitting your comment through web based public comments form, you may send your comments through e-mail to consultationcfd@sebi.gov.in with the subject "Consultation Paper on the Recommendations of the Expert Committee for facilitating ease of doing business and harmonization of the provisions of the ICDR and LODR Regulations".
