

**Non-compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Standard Operating Procedure for suspension and revocation of trading of specified securities**

SEBI vide its Circular No. SEBI/HO/CFD/CMD/CIR/P/2020/12 dated January 22, 2020, uniformed the structure for imposing fines as a first resort for non-compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, freezing of entire shareholding of the promoter and promoter group and the standard operating procedure for suspension of trading in case the non-compliance is continuing and/or repetitive. This circular is in supersession of the SEBI circular No SEBI/HO/CFD/CMD/CIR/P/2018/77 dated May 3, 2018.

**Key Highlights**

- Any non-compliance as specified in Annexure A committed by listed entity including the details of the respective requirement, amount of fine levied, details regarding the freezing of shares of promoters, the period of suspension etc. shall be disclosed by concerned\* recognized stock exchange on their website.
- The amount of fine realized as per the structure defined in this said circular, shall be credited to the "Investor Protection Fund" of the concerned recognized stock exchange.
- The amount of above said fines continue to accrue till the time of rectification of the non-compliance to the satisfaction of the concerned recognized stock exchange(s) or till the scrip of the listed entity is suspended from trading for non-compliance with provisions contained in the said circular and such accrual shall be irrespective of any other disciplinary/enforcement action(s) initiated by recognized stock exchange(s)/SEBI.
- Every concerned recognized stock exchange shall issue notices to the non-compliant listed entities within 30 days from the due date of submission of information.
- Non-compliant listed entity shall ensure compliance with the requirement(s) and pay fines as per the said circular within 15 days from the date of such notice.
- If the non-compliant listed entity fails to comply with the requirement(s) and/or payment of fine levied within the stipulated period as per the notice issued, the concerned recognized stock exchange(s) shall, upon expiry of the period indicated in the notice, shall issue notices to the promoter(s) of such non-compliant entities, to ensure compliance with the requirement and pay fines within 10 days from the date of such notice. The recognized stock exchange shall also send intimation to other recognized stock exchange(s) where the shares of the non-compliant entity are listed.
- If the non-compliant listed entity fails to comply with the requirement(s) and/or pay fine levied as per the aforementioned notice then the concerned recognized stock exchange shall forthwith intimate the depositories to freeze the entire shareholding of the promoter(s) in such entity as well as all other securities held in the demat accounts,.
- If the non-compliant listed entity subsequently complies with the respective requirement and pays the fine levied, in terms of this circular, the concerned recognized stock exchange(s) shall display on their website details of compliance and fines paid by the listed entity and intimate the depositories to unfreeze the entire shareholding of the promoter(s) on immediate basis from the date of compliance.
- If any non-compliant listed entity fails to pay the fine despite receipt of aforementioned notice, the recognized stock exchange(s) may also initiate appropriate enforcement action
- The recognised stock exchange shall advise the non-compliant listed entity to ensure that the subject matter of non-compliance and any subsequent action taken by the exchange shall be placed before the Board of Directors of the Company in its next meeting. Comments made by the board

shall be duly informed to the recognised stock exchange for dissemination.

- If the non-compliant listed entity fails to comply with the requirement within 6 months from the date of suspension, the recognized stock exchange(s) shall initiate the process of compulsory delisting of the non-compliant listed entity in accordance with the provisions of the Securities Contracts (Regulation) Act, 1956, the Securities Contracts (Regulation) Rules, 1957 and the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 as amended from time to time.
- For detailed operating procedures in respect of the circular, refer Annexure II of the original circular issued by SEBI (weblink of the said circular given at the bottom of this Bulletin).

\*concerned stock exchange means the stock exchange where the securities of the entity are listed.

Annexure I

**ACTION TO BE TAKEN IN CASE OF NON-COMPLIANCES**

The recognized stock exchanges shall take action for non-compliance with the provisions of the Listing Regulations & circulars/guidelines issued thereunder, by a listed entity as under:

<b>Sl. No.</b>	<b>Regulation of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015</b>	<b>Fine payable and/or other action to be taken for non-compliance in respect of listed entity</b>	<b>Criteria for suspension of the trading in the shares of the listed entities in addition to fine</b>
1.	Regulation 6(1)  Non-compliance with requirement to appoint a qualified company secretary as the compliance officer	Rs. 1,000 per day	
2.	Regulation 7(1)  Non-compliance with requirement to appoint share transfer agent	Rs. 1,000 per day	
3.	Regulation 13(1)  Failure to ensure that adequate steps are taken for expeditious redressal of investor complaints	Rs. 1,000 per day	Fines would be imposed even during suspension period, the modalities of the same would be dealt as part of a separate circular.
4.	Regulation 13(3)  Non-submission of the statement on shareholder complaints within the period prescribed under this regulation or under any circular issued in respect of redressal of investor grievances	Rs. 1,000 per day	
5.	Regulation 17(1)  Non-compliance with the requirements pertaining to the composition of the Board including failure to appoint woman director	Rs. 5,000 per day	Fails to comply for 180 days of non-compliance
6.	Regulation 17(1A)  Non-compliance with the requirements pertaining to appointment or continuation of Non-executive director who has attained the age of seventy five years	Rs. 2,000 per day	

7.	Regulation 17(2)  Non-compliance with the requirements pertaining to the number of Board meetings	Rs. 10,000 per instance	
8.	Regulation 17(2A)  Non-compliance with the requirements pertaining to quorum of Board meetings.	Rs. 10,000 per instance	
9.	Regulation 18(1)  Non-compliance with the constitution of audit committee	Rs. 2,000 per day	Fails to comply for 180 days of non-compliance
10.	Regulation 19(1)/ 19(2)  Non-compliance with the constitution of nomination and remuneration committee	Rs. 2,000 per day	
11.	Regulation 20(2) / (2A)  Non-compliance with the constitution of stakeholder relationship committee	Rs. 2,000 per day	
12.	Regulation 21(2)  Non-compliance with the constitution of risk management committee	Rs. 2,000 per day	
13.	Regulation 23 (9)  Non-compliance with disclosure of related party transactions on consolidated basis.	Rs. 5,000 per day	
14.	Regulation 24A  Non-compliance with submission of secretarial compliance report	Rs. 2000 per day	
15.	Regulation 27(2)  Non-submission of the Corporate governance compliance report within the period provided under this regulation	Rs. 2,000 per day	Fails to comply for two consecutive quarters
16.	Regulation 28 (1)  Non-compliance with obtaining in-principle approval of stock exchange(s) before issuance of securities.	Rs. 50,000 per instance	
17.	Regulation 29(2)/29(3)  Delay in furnishing prior intimation about the meeting of the board of directors	Rs. 10,000 per instance of non-compliance per item	

18.	Regulation 31  Non-submission of shareholding pattern within the period prescribed	Rs. 2,000 per day	Fails to comply for two consecutive quarters
19.	Regulation 31A(3)(a)  Non-compliance pertaining to delay in submission of reclassification application to stock exchanges	Rs. 5,000 per day	
20.	Regulation 32(1)  Non-submission of deviations/ variations in utilization of issue proceeds	Rs. 1,000 per day	
21.	Regulation 33  Non-submission of the financial results within the period prescribed under this regulation  (Levy of fine is in addition to the requirement of providing reasons for non-submission of the financial result as per circular no. CIR/CFD/CMD-1/142/2018 dated November 19, 2018.)	Rs. 5,000 per day	Fails to comply for two consecutive quarters
22.	Regulation 34  Non-submission of the Annual Report within the period prescribed under this regulation	Rs. 2,000 per day	Fails to comply for two consecutive quarters
23.	Regulation 42(2)/42(3)/42(4)/42(5)  Delay in/ non-disclosure of record date/ dividend declaration or non-compliance with ensuring the prescribed time gap between two record dates/ book closure dates	Rs. 10,000 per instance of non-compliance per item	
24.	Regulation 43A  Non-disclosure of Dividend Distribution Policy in the Annual Report and on the websites of the entity.	Rs. 25,000 per instance	
25.	Regulation 44(3)  Non-submission of the voting results within the period provided under this regulation	Rs. 10,000 per instance of non-compliance	
26.	Regulation 44(5)  Non-convening of annual general meeting within a period of five months from the close of financial year.	Rs. 25,000 per instance	

27.	Regulation 45(3)  Non-obtaining approval of stock exchange(s) before filing request for change of name with Registrar of Companies.	Rs. 25,000 per instance	
28.	Regulation 46  Non-compliance with norms pertaining to functional website	Advisory/warning letter per instance of non-compliance per item  Rs. 10,000 per instance for every additional advisory/warning letter exceeding the four advisory/ warning letters in a financial year	

*Note: Trading in the shares of the listed entities could also be suspended along with above criteria for the following:*

- i. failure to submit information on the reconciliation of shares and capital audit report, for two consecutive quarters;*
- ii. receipt of the notice of suspension of trading of that entity by any other recognized stock exchange on any or all of the above grounds.*

**Important Note:**

1. Non-compliance with requirement to appoint a qualified company secretary as the compliance officer for a single day would not be entertained by the statutory authorities and the Company is liable to pay the above fine. Listed entities cannot take advantage of the time stipulated in Companies Act, 2013.
2. As per above SOPs, if there is an ambiguity in any of the provision of the applicable laws for the time being in force in respect of any disclosure to be made to Securities Exchange Board of India or Stock exchange where the securities of the Company are listed, it is advisable to avoid such serious repercussions and make such disclosure to the authorities for avoiding any penalty or fine.

For the detailed reading of original notification you may click on the below given hyperlink:

<sup>1</sup> <https://www.sebi.gov.in/legal/circulars/jan-2020/non-compliance-with-certain-provisions-of-the-sebi-listing-obligations-and-disclosure-requirements-regulations-2015-and-the-standard-operating-procedure-for-suspension-and-revocation-of-trading-of-45752.html>

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