

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 SPECIFIED SECURITIES

Effective Date: Compliance Period ending on or after 30.09.2018

SEBI has issued a circular **SEBI/HO/CFD/CMD/CIR/P/2018/77** dated May 3, 2018 in supersession of its circulars, i.e. **CIR/CFD/CMD/12/2015** dated November 30, 2015 and **SEBI/HO/CFD/CIR/P/2016/116** dated October 26, 2016, to maintain consistency and to adopt a uniform approach in the matter of levy of fines for non-compliance with provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the manner of suspension of trading of securities of a listed entity and the manner of freezing the holdings of the promoter and promoter group of a non-compliant listed entity.

SEBI has instructed the Stock exchanges to take action for non compliance of provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and to follow the Standard Operating Procedure (“SOP”) for suspension and revocation of suspension of trading of specified securities. However, Stock Exchanges may deviate from the above if found necessary, only after recording reasons in writing.

LEVY OF FINE

The Recognised stock exchanges shall take action for non-compliance with the provisions of the Listing Regulations by a listed entity as under:

SL. NO.	REGULATION	PARTICULARS	FINE PAYABLE AND/OR OTHER ACTION
1	Regulation 6(1)	Appointment of a qualified Company Secretary as the Compliance Officer of the Company	Rs. 1,000 per day
2	Regulation 7(1)	Appointment of Share Transfer Agent	Rs. 1,000 per day

SL. NO.	REGULATION	PARTICULARS	FINE PAYABLE AND/OR OTHER ACTION
3	Regulation 13(1)/ 13(3)	Failure to ensure that steps are taken for expeditious redressal of investor complaints	Rs. 1,000 per day
		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	
4	Regulation 17(1)	Composition of the Board including appointment of woman director	Rs. 2,000 per day
5	Regulation 18(1)	Constitution of Audit Committee	Rs. 2,000 per day
6	Regulation 18(1)	Constitution of Nomination and Remuneration Committee	Rs. 2,000 per day
7	Regulation 20(2)	Constitution of Stakeholder Relationship Committee	Rs. 2,000 per day
8	Regulation 21(2)	Constitution of Risk Management Committee	Rs. 2,000 per day
9	Regulation 27(2)	Non-submission of Corporate Governance compliance report within the prescribed period	Rs. 2,000 per day
10	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
11	Regulation 31	Non-submission of shareholding pattern within the prescribed period	Rs. 2,000 per day
12	Regulation 32(1)	Non-submission of deviations/ variations in utilization of issue proceeds	Rs. 1,000 per day

SL. NO.	REGULATION	PARTICULARS	FINE PAYABLE AND/OR OTHER ACTION
13	Regulation 33	Non-submission of the financial results within the prescribed period	Rs. 5,000 per day
14	Regulation 34	Non-submission of the Annual Report within the prescribed period	Rs. 2,000 per day
15	Regulation 39(3)	Non-submission of information regarding loss of share certificates and issue of the duplicate certificates within the prescribed period	Rs. 1,000 per day
16	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
17	Regulation 44(3)	Non-submission of the voting results within the prescribed period	Rs. 10,000 per instance of non-compliance per item
18	Regulation 46	Non-compliance with norms of 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

DISCLOSURE

The concerned recognized stock exchange(s) shall display on their website, the non-compliances by the listed entity and the details of fine levied / action taken.

PERIOD OF FINE

The fines specified above shall continue to accrue till the time of rectification of the non-compliance to the satisfaction of the concerned recognized stock exchange or till the scrip of the listed entity is suspended from trading for non-compliance with aforesaid provisions. Such accrual shall be irrespective of any other disciplinary/enforcement action(s) initiated by recognized stock exchange(s)/SEBI.

REVIEW OF COMPLIANCE BY STOCK EXCHANGE

Recognized stock exchange will review the compliance status of the listed entities within 15 days from the date of receipt of information and shall issue notices to the non-compliant listed entities to ensure compliance and collect fine as per this circular within 15 days from the date of such notice.

FREEZING OF DEMAT ACCOUNT OF PROMOTER AND PROMOTER GROUP

If the non-compliant listed entity fails to comply with the aforesaid requirement(s) and/or pay fine levied within the stipulated period as per the notice stated above, the concerned recognized stock exchange shall, upon expiry of the period indicated in the notice, forthwith intimate the depositories to freeze the entire shareholding of the promoter and promoter group in such entity as well as all other securities held in the demat account of the promoter and promoter group and if subsequently non-compliant listed entity subsequently complies with the respective requirement(s) and pays the fine levied, in terms of this Circular, stock exchange(s) shall intimate the depositories to unfreeze the entire shareholding of the promoter and promoter group after one month from the date of compliance.

If any non-compliant listed entity fails to pay the fine despite receipt of the notice as stated above, the recognized stock exchange(s) may also initiate appropriate enforcement action.

PLACING OF NON-COMPLIANCE IDENTIFIED BEFORE THE BOARD OF COMPANY

Subject matter of non-compliance which has been identified and indicated by the recognised stock exchange(s) and any subsequent action taken by the recognised stock exchange(s) in this regard 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(s) for dissemination.

SUSPENSION OF THE TRADING

CRITERIA FOR SUSPENSION OF THE TRADING IN THE SHARES OF THE LISTED ENTITIES:

- a) Failure to comply with regulation 17(1) with respect to board composition including appointment of woman director **for two consecutive quarters;**
- b) Failure to comply with regulation 18(1) with respect to constitution of audit committee **for two consecutive quarters;**
- c) failure to comply with regulation 27(2) with respect to submission of corporate governance compliance report **for two consecutive quarters;**
- d) failure to comply with regulation 31 with respect to submission of shareholding pattern **for two consecutive quarters;**
- e) failure to comply with regulation 33 with respect to submission of financial results **for two consecutive quarters;**
- f) failure to comply with regulation 34 with respect to submission of Annual Report **for two consecutive financial years;**
- g) failure to submit information on the reconciliation of shares and capital audit report, **for two consecutive quarters;**
- h) 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.

ACTION BY STOCK EXCHANGE

If a listed entity is non-compliant with the provisions of the Listing Regulations as specified above the concerned recognized stock exchange(s) shall:

- a) move the scrip of the listed entity to "Z" category wherein trades shall take place on 'Trade for Trade' basis by following procedure prescribed in this circular
- b) suspend trading in the shares of such listed entity.

REVOKING OF SUSPENSION OF TRADING

If the non-compliant listed entity complies with the aforesaid requirement(s) after the date of suspension and pays the applicable fine, the recognized stock exchange(s) shall revoke the suspension of trading of its shares

COMPULSORY DELISTING OF THE NON-COMPLIANT LISTED ENTITY

If the non-compliant listed entity fails to comply with the aforesaid requirement(s) or fails to pay the applicable fine 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.

POWER OF SEBI UNAFFECTED

- a) The above provisions are without prejudice to the power of SEBI to take action under the securities laws.
- b) The fine may be levied by the respective Stock Exchange(s) individually where the shares of the company are listed.
- c) In order to go through the complete circular, kindly access the following link, <https://www.sebi.gov.in/legal/circulars/may-2018/non-compliance-with-provisions-of-sebi-listing-obligations-and-disclosure-requirements-regulations-2015-and-standard-operating-procedure-for-suspension-and-revocation-of-trading-of-specified-securi-38841.html>.