

## VERIFICATION ON MARKET RUMOURS

### **BACKGROUND:**

The Securities and Exchange Board of India (“SEBI”) on June 14, 2023 inserted a proviso to Regulation 30(11) of SEBI (Listing Obligations and Disclosure Requirements), 2015 (“SEBI LODR, 2015”) stating that the top 100 listed entities (with effect from October 1, 2023) and thereafter the top 250 listed entities (with effect from April 1, 2024) shall confirm, deny or clarify any reported event or information in the mainstream media which is not general in nature and which indicates that rumours of an impending specific material event or information in terms of the provisions of this regulation are circulating amongst the investing public, as soon as reasonably possible and not later than twenty four hours from the reporting of the event or information.

The said timeline was extended by SEBI twice vide its circular dated September 30, 2023 and January 25, 2024 respectively.

In order to ensure compliance with the aforesaid requirement, the SEBI in July 2023 proposed the establishment of an Industry Standards Forum tasked with developing compliance standards for market rumours verification. Following extensive deliberations, the Forum comprising of Federation of Indian Chambers of Commerce and Industry (FICCI), Associated Chambers of Commerce and Industry (ASSOCHAM) and the Confederation of Indian Industry (CII) had submitted their draft standard on May 07, 2024.

Subsequently, SEBI on May 17, 2024 had notified the SEBI (LODR) (Amendment) Regulations 2024 considering the amendment in Regulation 30(11) of SEBI (LODR) Regulation 2015 stating that listed entities are required to confirm, deny or clarify market rumours, upon material price movement.

On May 21, 2024 SEBI vide its circular no. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/51 notified the Industry Standards on verification of market rumours and instructed the listed entities to follow the Industry Standards to ensure the Compliance with Regulation 30(11) of SEBI (LODR) Regulation 2015.

Further, SEBI vide its circular no. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/52 dated May 21, 2024, issued the framework for considering unaffected price for transaction upon confirmation of market rumours and instructed the Stock Exchanges to issue the framework for material price movement on their websites.

The BSE & NSE (“Stock Exchanges”) on May 21, 2024 issued Framework on Material Price Movement (in Equity Cash Markets) with respect to Rumours Verification by Listed Entities.

### **PURPOSE:**

The purpose of Rumor Verification is to verify the accuracy or otherwise of the rumours/news circulating in the market. Rumours/news may have a significant impact on the price/volume of the security. Hence, it is essential to verify the accuracy of the same.

## **KEY TAKEAWAYS**

### **1. Narrowed scope of Mainstream Media –**

The definition of mainstream media has been refined to include:

- 14 English national dailies
- 5 Financial/ Business dailies
- 21 regional dailies
- 3 international English business/financial news dailies
- 8 digital news sources
- 3 English business news channels
- 4 others business news channels.

The detailed list of aforesaid mainstream media can be referred from Annexures of Industry Standards Note.

### **2. Refined Triggers for Confirmation/Denial/Clarification –**

Confirmation or denial is now required only when market rumour:

- Results in Material Price Movement (MPM) and:
- Specific and impending

### **3. Extended Timeline for Verification –**

The rumour is now required to be confirmed/denied **within 24 hours from trigger of material price movement** instead of within 24 hours of reporting in the mainstream media.

### **4. Introduction of Price Protection Framework –**

SEBI has notified a price protection framework to exclude the impact of rumour verification on share prices when determining pricing for specified corporate actions/transactions governed by SEBI or Stock Exchange norms.

## **WHO WILL BE IMPACTED AND FROM WHEN?**

- Top 100 companies – 1st June 2024
- Next 150 companies (i.e. Top 250 companies) – 1st December 2024
- For the rest of the companies, the framework is still voluntary, but logically, the reference point being “material price movement” may be extended to these companies too.

## **BASIC ATTRIBUTES OF A RUMOUR**

1. Should be relating to the Company and not generally about sector, industry, geography, etc.
2. Should be specific i.e. should give some facts/information likely to influence the decision

of investors or should have quoted a source which can be relied for the information in question.

3. Should be relating to an event/development which is impending i.e. imminent, at a stage of development.
4. Should not be an elaboration of something that has already been disclosed by the Company, unless new material facts or information not disclosed by the company are contained.
5. Should be contained in “mainstream media”.
6. Should have caused an MPM.
7. There should be a reasonable nexus between the rumour and the MPM, so as to lead to a conclusion that the MPM has been triggered by the rumour.

### **PARAMETERS FOR MATERIAL PRICE MOVEMENT:**

The material price movement in the securities of listed entity shall be determined based on the following parameters:

#### **1. Price range-based price variation cut off**

The cut-off percentage for price variation be based on the price range subject to the price band applicability.

#### **2. Indexing Price variation to Nifty 50 / Sensex movement**

With the aim of factoring in the market dynamics in the parameters for rumour verification, the price variation criteria be indexed to benchmark index viz., Nifty 50/ Sensex movement. Price benchmarking for NSE prices shall be NIFTY 50 Index and for BSE prices shall be Sensex Index. Price benchmarking shall be done at the start of day (i.e., at 9.30 am).

#### **3. Price variation in the direction of the news**

Rumours shall be verified only if the security has moved in the direction of the news i.e., if the security has witnessed positive movement for a positive news and vice- versa.

#### **4. Intraday price movement**

In case of intraday price movement (i.e. after 9:30 am), only the price range-based price variation shall be considered, irrespective of the Index movement.

#### **5. Calculation of percentage variation in share price and benchmark index movement**

The percentage variation in share price and the benchmark index movement shall be calculated from the closing price of the immediate preceding trading day.

**The percentage variation in the share price of listed entity which shall be treated as material price movement based on the above-mentioned parameters is given below:**

**A. In case of ‘Positive’ news/ rumour:**

Price range of the listed equity shares	Percentage variation in share price which shall be treated as material price movement		
	Benchmark index movement is less than 1% at 9.30 am	Benchmark index movement is greater than or equal to 1% at 9.30 am	Intraday price movement (i.e. after 9.30 am)
<b>Rs. 0 to 99.99</b>	Greater than or equal to 5%	Greater than or equal to (5% + % change in Benchmark index at 9:30 am) or Band hit	Greater than or equal to 5%
<b>Rs. 100 to 199.99</b>	Greater than or equal to 4%	Greater than or equal to (4% + % change in Benchmark index at 9:30 am) or Band hit	Greater than or equal to 4%
<b>Rs. 200 and above</b>	Greater than or equal to 3%	Greater than or equal to (3% + % change in Benchmark index at 9:30 am) or Band hit	Greater than or equal to 3%

**B. In case of ‘Negative’ news/ rumour:**

Price range of the listed equity shares	Percentage variation in share price which shall be treated as material price movement		
	Benchmark index movement is less than or equal to -1% at 9.30 am	Benchmark index movement is greater than -1% at 9.30 am	Intraday price movement (i.e. after 9.30 am)
<b>Rs. 0 to 99.99</b>	Less than or equal to (-5% - % change in Benchmark index at 9:30 am) or Band hit	Less than or equal to -5%	Less than or equal to -5%
<b>Rs. 100 to 199.99</b>	Less than or equal to (-4% - % change in Benchmark index at 9:30 am) or Band hit	Less than or equal to -4%	Less than or equal to -4%
<b>Rs. 200 and above</b>	Less than or equal to (-3% - % change in Benchmark index at 9:30 am) or Band hit	Less than or equal to -3%	Less than or equal to -3%

**Note:** In case of intraday price movement (i.e. after 9:30 am), only the price range-based price variation in the scrip to be considered, irrespective of the Index movement.

**SURVEILLANCE MEASURES BY THE STOCK EXCHANGES:**

In addition to the requirement for verification of market rumours by listed entities under Regulation 30(11) of SEBI (LODR) Regulations, 2015, the stock exchanges shall independently continue to seek clarification from the listed entities on news/rumours pertaining to the listed entity as part of their existing surveillance measures. The listed entity shall provide specific and adequate reply to such clarification sought/ queries raised by the stock exchange(s) in terms of

Regulation 30(10) of SEBI (LODR) Regulations, 2015.

**PERSONS RESPONSIBLE TO ENSURE COMPLIANCE:**

As per Regulation 30(11A) of SEBI (LODR) (Amendment) Regulations, 2024 the promoter, director, key managerial personnel or senior management of a listed entity shall provide adequate, accurate and timely response to queries raised or explanation sought by the stock exchanges in order to ensure compliance with the requirements under Regulation 30(11) and the listed entity shall disseminate the response received from such individual(s) promptly to the stock exchanges.

**CONCLUSION:**

The Company should pay close attention to market rumors and monitor relevant publications, news, and websites as outlined in mainstream media with respect to leakage of any information pertaining to listed entity. Additionally, the Company should designate officials responsible for overseeing any leaks in mainstream media and managing unfair trade practices.

**REFERENCES:**

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2023	<a href="https://www.sebi.gov.in/legal/regulations/jun-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-second-amendment-regulations-2023_72609.html">https://www.sebi.gov.in/legal/regulations/jun-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-second-amendment-regulations-2023_72609.html</a>
Extension of timeline for verification of market rumours by listed entities (September 30, 2023)	<a href="https://www.sebi.gov.in/legal/circulars/sep-2023/extension-of-timeline-for-verification-of-market-rumours-by-listed-entities_77488.html">https://www.sebi.gov.in/legal/circulars/sep-2023/extension-of-timeline-for-verification-of-market-rumours-by-listed-entities_77488.html</a>
Extension of timeline for verification of market rumours by listed entities (January 25, 2024)	<a href="https://www.sebi.gov.in/legal/circulars/jan-2024/extension-of-timeline-for-verification-of-market-rumours-by-listed-entities_80867.html">https://www.sebi.gov.in/legal/circulars/jan-2024/extension-of-timeline-for-verification-of-market-rumours-by-listed-entities_80867.html</a>
Industry Standards Note on verification of market rumours under Regulation 30(11) of LODR Regulations	<a href="https://ficci.in/Market-Rumours-Amendment-SEBI-Guidance-Note.pdf">https://ficci.in/Market-Rumours-Amendment-SEBI-Guidance-Note.pdf</a>
Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2024	<a href="https://www.sebi.gov.in/legal/regulations/may-2024/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-amendment-regulations-2024_83476.html">https://www.sebi.gov.in/legal/regulations/may-2024/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-amendment-regulations-2024_83476.html</a>
SEBI Circular on Industry Standards on verification of market rumour	<a href="https://www.sebi.gov.in/legal/circulars/may-2024/industry-standards-on-verification-of-market-rumours_83485.html">https://www.sebi.gov.in/legal/circulars/may-2024/industry-standards-on-verification-of-market-rumours_83485.html</a>
SEBI Circular on framework for considering unaffected price for transactions upon confirmation of market rumour	<a href="https://www.sebi.gov.in/legal/circulars/may-2024/framework-for-considering-unaffected-price-for-transactions-upon-confirmation-of-market-rumour_83483.html">https://www.sebi.gov.in/legal/circulars/may-2024/framework-for-considering-unaffected-price-for-transactions-upon-confirmation-of-market-rumour_83483.html</a>
NSE Exchange Communications – Circulars (May 21, 2024)	<a href="https://www.nseindia.com/resources/exchange-communication-circulars">https://www.nseindia.com/resources/exchange-communication-circulars</a>
BSE Notices & Circulars - Circulars (May 21, 2024)	<a href="https://www.bseindia.com/markets/MarketInfo/NoticesCirculars.aspx?id=0&amp;txtscripcd=&amp;pagecont=&amp;subject=">https://www.bseindia.com/markets/MarketInfo/NoticesCirculars.aspx?id=0&amp;txtscripcd=&amp;pagecont=&amp;subject=</a>

Suggestions may be sent to [rupesh@cacsindia.com](mailto:rupesh@cacsindia.com)

**Rupesh Agarwal | Managing Partner | Chandrasekaran Associates | Company Secretaries 11-F,  
Pocket Four | Mayur Vihar Phase One | Delhi - 110 091 | Tel. +91-11-2271 0514  
[rupesh@cacsindia.com](mailto:rupesh@cacsindia.com) | [info@cacsindia.com](mailto:info@cacsindia.com) | [www.cacsindia.com](http://www.cacsindia.com)**

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