

COVID-19: SEBI EASES LODR COMPLIANCE NORMS

1. INTRODUCTION

COVID 19 is 2020's juggernaut - a black swan that has disrupted life like we have never known before. While governments over the world have been treating the pandemic on a war footing, introducing drastic measures such as lockdowns, the need for economic measures is increasingly becoming as important - to ensure the world economy and businesses stay on their feet while dealing with unprecedented health measures.

Commercial-legal regulators worldwide have therefore, started providing corporations and businesses with life-rafts to continue keeping open-shop. In India, the Ministry of Corporate Affairs announced yesterday that it would allow companies' boards of directors to take remote decisions on certain key business items till June 2020, and also called upon Indian companies and LLPs to implement work-from-home policies till March 31, 2020. In the listed space, the Securities Exchange Board of India ("**SEBI**") has followed suit, through a circular ("**Circular**") granting relaxation to listed entities in respect of certain crucial compliance requirements under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("**LODR**"), SEBI's principal regulations on disclosure, reporting and compliance obligations by listed companies.¹ We discuss below the key dispensations provided by SEBI through the Circular.

2. RELAXATIONS IN COMPLIANCE NORMS

2.1 Filing of quarterly and annual financial statements for the financial year 2019-20

The LODR requires a listed company to submit quarterly financial results within 45 days from the end of the quarter, and annual financial statements within 60 days from the end of financial year.² For the quarter/ financial year ended March 31, 2020, the relevant reporting deadlines would, accordingly, have been May 15, 2020 (for quarterly financial results) and May 30, 2020 (for annual financial statements). The Circular extends the deadline for both submissions till June 30, 2020.

2.2 Time gap between two board/ audit committee meetings

¹ Circular available at https://www.sebi.gov.in/legal/circulars/mar-2020/relaxation-from-compliance-with-certain-provisions-of-the-sebi-listing-obligations-and-disclosure-requirements-regulations-2015-due-to-the-covid-19-virus-pandemic_46360.html

² Regulation 33 of the LODR.

The LODR requires the board of directors³ and the audit committee⁴ of a company to meet at least four times a year, and a maximum of 120 days to elapse between successive meetings. The Circular temporarily stops the 120-day clock, exempting entities from observing this maximum stipulated time gap for the meetings held (or proposed to be held) between December 1, 2019 and June 30, 2020. However, the requirement for meeting four times a year remains unchanged.

2.3 Submission of shareholding pattern

The LODR requires a listed company to submit its shareholding pattern (in a prescribed format) within 21 days from the end of every quarter.⁵ For the quarter ended March 31, 2020, the relevant reporting deadline would, accordingly, have been April 21, 2020. The Circular extends this deadline till May 15, 2020.

2.4 Statement of investor complaints

The LODR requires a listed company to file a statement of investor complaints within 21 days from the end of every quarter.⁶ For the quarter ended March 31, 2020, the relevant reporting deadline would, accordingly, have been April 21, 2020. The Circular extends this deadline till May 15, 2020.

2.5 Submission of compliance certificate on share transfer

The LODR requires a listed company to submit a compliance certificate on share transfers within one month from the end of every half-year of a financial year.⁷ For the half-year period ended March 31, 2020, the relevant reporting deadline would, accordingly, have been April 30, 2020. The Circular extends this deadline till May 31, 2020.

2.6 Secretarial compliance and corporate governance reports

The LODR requires a listed company to annually file a secretarial compliance report⁸ within 60 days of the end of a financial year, and a quarterly corporate governance report⁹ within 15 days of the end of a quarter. For the financial year/ quarter ended March 31, 2020, the relevant reporting deadlines would, accordingly, have been May 30, 2020 (for the secretarial compliance report) and April 15, 2020 (for the corporate governance report). The Circular extends these deadlines till June 30, 2020 and May 15, 2020, respectively.

3. CONCLUSION

The Circular is a timely and much-needed lifeline from SEBI. In the days to come, we can only expect more instances of such disciplined regulatory re-invention, at a time where companies grapple with the maelstrom unleashed by COVID 19, not only on the markets they play, but also the compliance environment in which they operate.

³ Regulation 17(2) of the LODR.

⁴ Regulation 18(2)(a) of the LODR.

⁵ Regulation 31 of the LODR.

⁶ Regulation 13(3) of the LODR.

⁷ Regulation 7(3) of the LODR.

⁸ Regulation 24A of the LODR read with Circular No. CIR/CFD/CMD1/27/2019 dated February 8, 2019 of the SEBI.

⁹ Regulation 27(2) of the LODR.

Author : Radhika Pandey

Practice Areas : Capital Markets | Corporate and Commercial

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