

## Frequently Asked Questions

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### SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

***Disclaimer:** Based on queries/ comments received from market participants, these FAQs have been prepared to provide guidance on the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Regulations", "Listing Regulations", "LR") and circulars issued there under. For full particulars of laws governing continuous disclosure requirements, please refer to the Acts/Regulations/Guidelines/Circulars etc. appearing under the Legal Framework Section of SEBI website i.e., [www.sebi.gov.in](http://www.sebi.gov.in) and the websites of respective recognized stock exchanges.*

#### A. Definitions

- Q1. **Regulation 2(1)(b) of LR defines an 'associate company' to mean any entity which is an associate under the Companies Act, 2013 or under the applicable accounting standards. Whether both conditions have to be met or either of the two?**

**Answer:** The definition of associate company should be viewed under the Companies Act, 2013 as well as Accounting Standards. If the condition is met under either of the two, then such entity should be classified as an associate company.

- Q2. **Regulation 2(1)(zb) of LR defines the term 'Related party' to mean related party under the Companies Act, 2013 or under the applicable Accounting Standards. Whether both conditions have to be met or either of the two?**

**Answer:** The definition of related party should be viewed under the Companies Act, 2013 as well as Accounting Standards. If the condition is met under either of the two, then such party should be classified as a related party.

#### B. Corporate Governance

- Q3. **Regulation 17(8) of LR requires a compliance certificate to the Board of directors by Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Whether the Managing Director or Whole Time Director may certify the compliance certificate, when the company has not designated a CEO?**

**Answer:** Such certificates may be signed by the officials who hold powers, duties and responsibilities of a CEO/ CFO irrespective of their designations.

- Q4. **Regulation 23 (4) provides that all material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not. In this regard, whether only those related parties who are related to the concerned transaction/ contract should abstain from voting or whether related parties should altogether abstain from voting?**

**Answer:** The requirement under Regulation 23(4), is applicable for listed entities subject to the provisions of Regulation 15. Hence, for applicable entities, the regulations clearly provide that all material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party for the particular transaction or not.

- Q5. **Regulation 24 (1) prescribes having at least one independent director of the listed entity as a director on the board of directors of 'unlisted material subsidiary, incorporated in India'. Sub-regulations (2), (3) and (4) to the same regulation refer to 'unlisted subsidiary'. Whether such sub-regulations (2), (3) and (4) are applicable to all unlisted subsidiaries or only material unlisted subsidiaries incorporated in India?**

**Answer:** Listed entities may be guided by the provisions of Regulation 24. Wherever 'unlisted material subsidiary' and 'unlisted subsidiary' have been distinctly mentioned in a particular sub-regulation, such sub-regulation shall be applicable to material unlisted subsidiaries or all unlisted subsidiaries as the case may be.

### **C. Disclosure of Events or Information**

- Q6. **Regulation 30(8) of LR requires posting of disclosures on the listed entity's website for a minimum period of five years. Whether the said provision is prospective from December 1, 2015 and pertains to disclosures relating to events happening thereafter?**

**Answer:** The disclosures made under Regulation 30(8) shall be made w.e.f. December 01, 2015, i.e., the listed entity shall disclose on its website all such events or information which has been disclosed to stock exchange(s) under this regulation on or after the said date, and such disclosures shall be hosted on the website of the listed entity for a minimum period of five years from the date of disclosure to the stock exchange.

- Q7. **Regulation 30(9) of LR requires disclosure of all events and information with respect to subsidiaries which are material. If both parent and subsidiary are listed entities, would it be sufficient compliance if the listed subsidiary has made a disclosure or whether same disclosure be made by the parent listed entity also?**

**Answer:** Both the parent and material subsidiary in their own right as Listed Entities have to make disclosure separately as applicable under Listing Regulations.

**Q8. Regulation 16 (1)(c) defines material subsidiary as - “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.” The Explanation to Regulation 16 (1)(c) states that the listed entity shall formulate a policy for determining material subsidiary. Can the listed entity adopt a different criteria for determining material subsidiary for the purpose of Regulation 30 (9)?**

**Answer:** The definition of 'material subsidiary' under regulation 16(1)(c) defines a subsidiary that is material to the listed entity. Further, the explanation to the aforesaid provision allows the listed entity to formulate a policy for the same, i.e., a listed entity can develop criteria that is stricter than what has been provided in the Regulations.

Regulation 30(9) requires the listed entity to disclose all events or information with respect to subsidiaries which are material for the listed entity. The said sub-regulation places stress on materiality of the events or information. Therefore, disclosure would be required in cases where the event or information originating from a subsidiary is material to the listed entity, irrespective of whether such a subsidiary is material or not as per the definition provided at regulation 16(1)(c).

**Q9. Schedule III Part A, Para A, Clause 1(ii)(a) requires disclosures on acquisition or agreements to acquire shares or voting rights in a company, whether directly or indirectly, such that the listed entity holds shares or voting rights aggregating to five per cent or more of the shares or voting rights in the said company. Whether the disclosure is with respect to acquisition of shares or voting rights when the target company is a listed entity only or whether it is applicable to unlisted entities also?**

**Answer:** The Schedule refers to the listed entity’s acquisition of shares or voting rights in the company. Such target company can be listed or unlisted.

#### **D. Other Clarifications**

**Q10. Under Regulation 33(3), for submission of financial results for the last quarter, whether Unaudited Results can be submitted to the Exchanges?**

**Answer:** Regulation (33)(3)(d) clearly states that the listed entity shall file audited annual results in 60 days from the end of the last quarter. Therefore, the financial statements for the last quarter shall necessarily be audited. The said provision was also there in the erstwhile Listing Agreement.

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