

# Financial Services & Capital markets

## Significant Amendments Applicable For Nov 2020 Exams

### SEBI (LODR) REGULATIONS, 2015

Reference	Old Regulation	New Regulation
Para 18(1)(b)	Two-thirds of the members of audit committee shall be independent directors.	Two-thirds of the members of audit committee shall be independent directors [and in case of a listed entity having outstanding SR equity shares, the audit committee shall only comprise of independent directors]
Para 20(2A)	At least three directors, with at least one being an independent director, shall be members of the Committee.	At least three directors, with at least one being an independent director, shall be members of the Committee [and in case of a listed entity having outstanding SR equity shares, at least two thirds of the Stakeholders Relationship Committee shall comprise of independent directors].
Para 21(2)	The majority of members of Risk Management Committee shall consist of members of the board of directors.	The majority of members of Risk Management Committee shall consist of members of the board of directors [and in case of a listed entity having outstanding SR equity shares, at least two thirds of the Risk Management Committee shall comprise of independent directors].
Para 34(2)(f)	for the top 78 [five hundred] listed entities based on market capitalization (calculated as on March 31 of every financial year), business responsibility report describing the initiatives taken by them from an environmental, social and governance perspective, in the format as specified by the Board from time to time: <b>Provided that</b> listed entities other than top five hundred listed companies based on market capitalization and listed entities which have listed their specified securities on SME Exchange, may include these business responsibility reports on a voluntary basis in the format as specified.	for the top 78 [one thousand] listed entities based on market capitalization (calculated as on March 31 of every financial year), business responsibility report describing the initiatives taken by them from an environmental, social and governance perspective, in the format as specified by the Board from time to time: <b>Provided that</b> listed entities other than top [one thousand] listed companies based on market capitalization and listed entities which have listed their specified securities on SME Exchange, may include these business responsibility reports on a voluntary basis in the format as specified.
Para 41(3)	The listed entity shall not issue shares in any manner which may confer on any person, superior rights as to voting or dividends - vis-à-vis the rights on equity shares that are already listed or inferior	The listed entity shall not issue shares in any manner that may confer on any person; superior or inferior rights as to dividend vis-à-vis the rights on equity shares that are already listed or inferior voting rights vis-à-vis the rights on equity

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	eadylisted.	shares that are already listed: <b>Provided that,</b> a listed entity having SR equity shares issued to its promoters/ founders, may issue SR equity shares to its SR shareholders only through a bonus, split or rights issue in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and the Companies Act, 2013.]
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Para 41A – **Other provisions relating to Outstanding SR Equity Shares** has been included in the amended SEBI (LODR) Regulations, 2015.

## **Other provisions relating to Outstanding SR Equity Shares :**

- (1) The SR equity shares shall be treated at par with the ordinary equity shares in every respect, including dividends, except in the case of voting on resolutions.
- (2) The total voting rights of SR shareholders (including ordinary shares) in the issuer upon listing, pursuant to an initial public offer, shall not at any point of time exceed seventy four percent
- (3) The SR equity shares shall be treated as ordinary equity shares in terms of voting rights (i.e. one SR share shall only have one vote) in the following circumstances –
  - i. appointment or removal of independent directors and/or auditor;
  - ii. where a promoter is willingly transferring control to another entity;
  - iii. related party transactions in terms of these regulations involving an SR shareholder;
  - iv. voluntary winding up of the listed entity
  - v. changes to the Articles of Association or Memorandum of Association of the listed entity, except any change affecting the SR equity share;
  - vi. initiation of a voluntary resolution process under the Insolvency Code;
  - vii. utilization of funds for purposes other than business;
  - viii. substantial value transaction based on materiality threshold as specified under these regulations;
  - ix. passing of special resolution in respect of delisting or buy-back of shares; and
  - x. other circumstances or subject matter as may be specified by the Board, from time to time.
- (4) The SR equity shares shall be converted into equity shares having voting rights same as that of ordinary shares on the fifth anniversary of listing of ordinary shares of the listed entity:

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Provided that the SR equity shares may be valid for upto an additional five years, after a resolution to that effect has been passed, where the SR shareholders have not been permitted to vote:

Provided further that the SR shareholders may convert their SR equity shares into ordinary equity shares at any time prior to the period as specified in this sub-regulation.

- (5) The SR equity shares shall be compulsorily converted into equity shares having voting rights same as that of ordinary shares on the occurrence of any of the following event—
- i. demise of the promoter(s) or founder holding such shares;
  - ii. an SR shareholder resigns from the executive position in the listed entity;
  - iii. merger or acquisition of the listed entity having SR shareholder/s, where the control would no longer remain with the SR shareholder/s;
  - iv. the SR equity shares are sold by an SR shareholder who continues to hold such shares after the lock-in period but prior to the lapse of validity of such SR equity shares.]

Chapter XI-A **Power to Relax Strict Enforcement of the Regulations** has been included in the amended SEBI (LODR) Regulations, 2015.

## CHAPTER XI-A

### POWER TO RELAX STRICT ENFORCEMENT OF THE REGULATIONS

#### **Exemption from enforcement of the regulations in special cases.**

**99A.** (1) The Board may, exempt any person or class of persons from the operation of all or any of the provisions of these regulations for a period as may be specified but not exceeding twelve months, for furthering innovation in technological aspects relating to testing new products, processes, services, business models, etc. in live environment of regulatory sandbox in the securities markets.

(2) Any exemption granted by the Board under sub-regulation (1) shall be subject to the applicant satisfying such conditions as may be specified by the Board including conditions to be complied with on a continuous basis.

**Explanation** — For the purposes of these regulations, "regulatory sandbox" means a live testing environment where new products, processes, services, business models, etc. maybe deployed on a limited set of eligible customers for a specified period of time, for furthering innovation in the securities market, subject to such conditions as may be specified by the Board.]