

SEBI, Accountancy and Audit

INDEX

<u>Particulars</u>	<u>Page No</u>
Securities and Exchange Board of India (SEBI)	2
Accountancy and Audit	5

Securities and Exchange Board of India (SEBI)

[PR No. 08/2024 dated 30th April 2024](#)

In its Board Meeting, SEBI, *inter alia* approved the following decisions:

- Amendments to SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 to modify provisions relating to disclosure of financial results in the offer documents, record date, due-diligence certificate and reduction in face value of debt securities and Non-convertible Redeemable Preference Shares
- Amendments to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for providing flexibility regarding publication of financial results in newspapers for entities that have listed only Non-Convertible Securities.

SEBI (Listing Obligations and Disclosure Requirements) (LODR) (Amendment) Regulations, 2024

[Notification No. SEBI/LAD-NRO/GN/2024/177 dated 17th May 2024](#)

SEBI LODR, 2015 has been amended through the aforesaid notification. The amendments, *inter alia*, include the following:

▪ **Determination of Market Capitalisation (Regulation 3)**

The applicability of the LODR regulation to a listed entity (**LE**) on the basis of market capitalisation should be determined as follows:

- ▲ Every recognised stock exchange should prepare a list of entities that have listed their specified securities at the end of the calendar year i.e., 31st December and rank such entities on the basis of their average market capitalisation from 1st July to 31st December of that calendar year.
- ▲ The relevant provisions will then become applicable to a LE from 1st April or from the beginning of the immediate next financial year (**FY**), whichever is later.
- ▲ The LE should disclose the Business Responsibility and Sustainability Report

(**BRSR**) and/or assurance as per the BRSR Core in the Annual Report prepared for the FY in which systems and processes were required to be put in place.

- ▲ The provisions of these regulations will continue to apply to the LE unless its ranking changes in the list prepared by the recognised stock exchange and such change results in the LE remaining outside the applicable threshold for a period of 3 consecutive years.
- ▲ For such LE which remain outside the applicable threshold for a period of 3 consecutive years, the relevant provisions will cease to apply at the end of the FY following the 31st December of the 3rd consecutive year. For those LEs that follow January to December as their FY, the provisions will cease to apply at the end of 3 months from 31st December of the 3rd consecutive year (i.e. on 31st March).

▪ **Mandatory applicability of Listing Norms for High Value Debt Listed Entities (HVDLEs) (Regulation 15)**

The timeline for mandatory applicability of listing norms (i.e. Regulation 16 to 27 of SEBI LODR Regulations, 2015) and compliance thereof for HVDLEs is extended till 31st March 2025.

▪ **Vacancies in respect of Key Managerial Personnel (KMP) (Regulation 26A)**

Where the LE is required to obtain approval of regulatory, government or statutory authorities to fill up vacancies in the office of Chief Executive Officer, Managing Director, Whole Time Director or Manager, then the vacancies should be filled up at the earliest but not later than 6 months (*earlier 3 months*) from the date of vacancy.

▪ **Timelines for prior intimations on Board Meetings (Regulation 29)**

The LE should give prior intimation of at least 2 working days in advance, excluding the date of the intimation and date of the meeting to stock exchange about the meeting of the Board of Directors in which the following proposals are due to be considered: financial results, buy back of

securities, voluntarily delisting of securities, declaration of dividend etc.

▪ **Market Rumours (Regulation 30)**

- ▲ As per the existing provisions, only rumours pertaining to ‘material’ events or information are to be verified by the LE. As per the amendment, the market rumour should be verified if there is a material price movement (**MPM**) in the securities of the LE.
- ▲ When the LE confirms within 24 hours from the trigger of MPM, any reported event or information on which pricing norms provided by SEBI or the stock exchanges are applicable, then the effect on the price of the equity shares of the LE due to the MPM and confirmation of the reported event or information may be excluded for calculation of the price for that transaction as per the framework as may be specified by SEBI.
- ▲ The promoter, director, KMP, or senior management of a LE should provide an adequate, accurate and timely response to queries raised or explanation sought by the LE in order to ensure compliance with the requirements.

Consequential to the amendment to the LODR, 2015 following Circulars have been issued:

▪ **Framework for considering unaffected price for transactions upon confirmation of market rumour**

[Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/51 dated 21st May 2024](#)

As per 2nd proviso to Regulation 30(11) of LODR Regulations, unaffected price should be considered for transactions on which pricing norms specified by SEBI or the stock exchanges are applicable, provided that the rumour pertaining to such transaction has been confirmed within 24 hours from the trigger of MPM.

Accordingly, the SEBI has issued this Circular that contains the framework for considering unaffected price and the same will be applicable to top 100 LEs with effect from 1st June 2024 and to top 250

LEs (i.e., next top 150) with effect from 1st December 2024.

▪ **Industry Standards on verification of market rumours**

[Circular No.: SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/52 dated 21st May 2024](#)

In order to facilitate ease of doing business, the Industry Standards Forum (**ISF**) comprising of representatives from 3 industry associations, i.e. ASSOCHAM, CII and FICCI, under the aegis of the Stock Exchanges, on a pilot basis, has formulated industry standards, in consultation with SEBI, for effective implementation of the requirement to verify market rumours under Regulation 30(11) of SEBI LODR Regulations. The industry associations which are part of ISF and the stock exchanges will publish the industry standards note on their websites. The LEs should follow the aforesaid industry standards to ensure compliance with Regulation 30(11) of LODR Regulations.

These standards will apply to the top 100 LEs from 1st June 2024 and to the top 250 from 1st December 2024.

Timelines for disclosures by Social Enterprises on Social Stock Exchange (SSE)

[Circular No.: SEBI/HO/CFD/PoD-1/P/CIR/2024/0059 dated 27th May 2024](#)

The SEBI has issued the aforesaid Circular containing timelines for disclosures by social enterprises on SSE for FY 2023-24.

- In terms of Regulation 91C (1) of the SEBI LODR Regulations, Not for Profit Organizations (**NPOs**) registered on SSE including NPOs whose designated securities are listed on SSE, will be required to make annual disclosures to the SSE on matters specified under the [SEBI Circular dated 19th September 2022](#) by 31st October 2024 for the FY 2023-24.
- In terms of Regulation 91E(1) of SEBI LODR Regulations, Social Enterprises which has registered or raised funds through SSE will be

required to submit Annual Impact Report to SSE by 31st October 2024 for the FY 2023-24.

Consultation Papers

Consultation Paper on the Recommendations of the Expert Committee for Facilitating Ease of Doing Business with respect to BRSR

[Report dated 22nd May 2024](#)

This consultation paper has been issued to seek comments/views/suggestions on recommendations of the Expert Committee for facilitating ease of doing business with respect to the BRSR. The key proposals include the following:

▪ Value Chain

As per SEBI LODR, the Annual Report of the top 1,000 LEs based on market capitalisation should contain BRSR on environmental, social, and governance (ESG) disclosures. In 2023, SEBI issued a Circular captioned “BRSR Core – Framework for assurance and ESG disclosures for value chain” which specifies provisions regarding ESG disclosures for value chain.

ESG disclosures for the value chain are applicable to the top 250 LEs (by market capitalisation), on a comply-or-explain basis from FY 2024-25. The limited assurance of the above will be applicable on a comply or-explain basis from FY 2025 - 26. Value chain should encompass the top upstream and downstream partners of a LE, cumulatively comprising 75% of its purchases / sales (by value) respectively.

▲ Proposal:

To redefine value chain partners as follows: “Value chain shall encompass the upstream and downstream partners of a LE, individually comprising 2% or more of the LE’s purchases / sales (by value) respectively.”

▲ Alternative Proposal:

To redefine value chain partners as follows: “Value chain shall encompass upstream and downstream partners of a LE, individually comprising 2% or more of the LE’s purchases /sales (by value) respectively, and cumulatively

comprising at least 75% of the LE’s purchases / sales (by value), respectively.”

▲ Additional Proposal:

The LE should disclose the percentage of total sales and purchases covered by the value chain partners for which ESG disclosures are provided.

▲ Applicability:

- For the 1st year of reporting ESG disclosures for value chain, i.e. FY 2024-25, reporting previous year’s numbers will be voluntary.
- “Voluntary” disclosures approach in place of “comply or explain” approach for ESG disclosures for value chain and its assurance.

▪ Green Credits

In the year 2023, the Ministry of Environment, Forest and Climate Change (MoEFCC) notified Green Credit Programme through Green Credit Rules, 2023. In the year 2024, the MoEFCC notified the methodology for calculation of Green Credit in respect of tree plantation under the Green Credit program. The notification *inter-alia* states that the Green Credit generated in lieu of tree plantation under the said Rules may be used for reporting under ESG leadership indicator or under corporate social responsibility under the applicable Rules made under any law for the time being in force.

In view of the above, the SEBI has proposed that the following disclosure may be added as a leadership indicator under Principle 6 of BRSR, i.e. “Business should respect and make efforts to protect and restore the environment”. Disclosure should provide: How many Green Credits are generated:

- ▲ By the company
- ▲ By the value chain partners.

▪ Substituting the term “Assurance” with “Assessment”

- ▲ With regards to BRSR, the term “assurance” will be substituted with “assessment” in LODR Regulations and SEBI circulars on BRSR.

- ▲ Hence, instead of current requirement of ‘reasonable assurance’ of BRSR core and ‘limited assurance’ for ESG disclosures for value chain, LEs will be required to undertake ‘assessment’ as per the standards as may be specified by the ISF in consultation with SEBI.
- ▲ Applicability:
 - Disclosures for FY 2023-24: Companies will be provided with an option either to undertake ‘assessment’ or ‘reasonable assurance’ of BRSR Core disclosures for FY2023-24.
 - Disclosures for FY 2024-25 and onwards: Assurance will be substituted with ‘Assessment’.
- ▲ Alternative Proposal:
 - With regards to BRSR, the term “assurance” will be substituted with “assessment or assurance” effective from FY 2023-24.

Consultation Paper on Recommendations of the Expert Committee for facilitating ease of doing business and harmonisation of the provisions of SEBI (Issue of Capital and Disclosure Requirements) (ICDR) Regulations, 2018 and LODR Regulations

[Report dated 26th June 2024](#)

The report of the recommendation of the Expert Committee sets out measures for facilitating ease of doing business for listed and to be LEs in India while ensuring high standards of corporate governance at Indian LEs. *Inter alia*, the recommendations cover the following aspects:

- **Ease of doing business under the LODR Regulations**
 - ▲ Filings and Disclosure
 - ▲ Board of Directors and Committees
 - ▲ Promoters and controlling shareholder
 - ▲ Related Party Transactions
 - ▲ Disclosure of material events or information under Regulation 30
 - ▲ Other compliance requirements and obligations
 - ▲ Strengthening corporate governance at LEs
- **Ease of doing business under ICDR Regulations**

- ▲ Voluntarily disclosure of proforma financials in public issue, rights issue and for Qualified Institutional Placement (QIP)
- ▲ Requirement to make public announcement after filing of draft offer document
- ▲ Eligibility conditions for an IPO
- ▲ Reservation for employees in rights issues
- ▲ Disclosure of information on standalone basis
- **Harmonisation of the provisions of the ICDR and LODR Regulations**
 - ▲ Disclosures related to Material Litigation
 - ▲ Aligning definition for identification of Material Subsidiary thresholds
 - ▲ Disclosure of material agreements in offer documents
 - ▲ Aligning definitions under ICDR and LODR

Accountancy and Audit

Guidance on Non-Compliances Observed by Quality Review Board (QRB) during Quality Reviews

[ICAI Announcement dated 9th May 2024](#) and [ICAI Announcement dated 5th July 2024](#)

The Auditing and Assurance Standards Board (AASB) of the ICAI has brought out the aforesaid publications which are a compilation of some common non-compliances observed by QRB while conducting quality reviews. The publications also contain suggested guidance by AASB on these common non-compliances.

The publications are in the following 2 parts:

- Part 1: *Observations related to Engagement and Quality Control Standards*
- Part 2: *Observations related to CARO and internal financial controls (IFC)*

Ind AS

For development in Ind AS refer [CNK IFRS/ISSB and Ind AS Update, July 2024](#).



Disclaimer and Statutory Notice

This e-publication is published by C N K & Associates, LLP Chartered Accountants, India, solely for the purposes of providing necessary information to employees, clients and other business associates. This publication summarizes the important statutory and regulatory developments. Whilst every care has been taken in the preparation of this publication, it may contain inadvertent errors for which we shall not be held responsible. The information given in this publication provides a bird's eye view on the recent important select developments and should not be relied solely for the purpose of economic or financial decision. Each such decision would call for specific reference of the relevant statutes and consultation of an expert. This document is a proprietary material created and compiled by C N K & Associates LLP. All rights reserved. This newsletter or any portion thereof may not be reproduced or sold in any manner whatsoever without the consent of the publisher.

This publication is not intended for advertisement and/or for solicitation of work.

www.cnkindia.com

CNK & Associates LLP
Chartered Accountants

Mumbai

3rd Floor, Mistry Bhavan, Dinshaw Vachha
Road, Churchgate, Mumbai 400 020.
Tel: +91 22 6623 0600

501/502, Narain Chambers, M.G Road,
Vile Parle (East), Mumbai 400 057.
Tel: +91 22 6250 7600

Chennai: +91 44 4384 9695

GIFT City: +91 79 2630 6530

Pune: +91 20 2998 0865

Vadodara: +91 265 234 3483

Bengaluru: +91 91 4110 7765

Dubai: +971 4355 9533

Ahmedabad: +91 79 2630 6530

Delhi: +91 11 2735 7350

Abu Dhabi: +971 4355 9544