
“COVID-19 PANDEMIC: SEBI MEASURES TO EASE COMPLIANCE NORMS”

The potential implications of COVID-19 in India have been visible in most segments of the markets, including equities, currency and bonds. At an operational level, any company may broadly face the following challenges due to a lockdown:

- An outbreak directly impacts the **production/ business capacity** because of shut down and to place the workers in quarantine;
- **Material contracts:** ‘Force Majeure’ clauses may be triggered by the listed entity(ies) or its counterparty(ies) to justify the non-performance during this turbulent time;
- **Disruption of supply-chain** is creating long term implication on inventory, revenues and operations of the listed entity(ies);
- **Financial constraints:** Challenges in freely receiving funds from the lenders could arise.

In wake of the outbreak caused and resulted lockdown arising due to the spread of the novel coronavirus, the global markets and business operations are in a state of turmoil. In response, the government of India and the authorities have been continuously initiating measures to contain the outbreak, considering the travel restrictions, non-availability of necessary infrastructure due to lockdown, various other logistical challenges, etc.

In this connection, the capital market regulator, Securities Exchange Board of India (“SEBI”) has temporarily relaxed certain immediate compliance requirement for the listed entity(ies), falling during the lockdown period with a view to not only reduce the compliance burden but also the relief to focus on business. The following circulars have been issued:

- SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/38 dated March 19, 2020;
- SEBI circular no. SEBI/HO/DDHS/ON/P/2020/41 dated March 23, 2020;
- SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/48 dated March 26, 2020;
- SEBI circular no. SEBI/HO/CFD/DCR1/CIR/P/2020/49 dated March 27, 2020;
- SEBI circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/53 dated March 30, 2020;
- SEBI circular no. SEBI/HO/IMD/DF1/CIR/P/2020/57 dated March 30, 2020;
- SEBI circular no. SEBI/HO/IMD/DF1/CIR/P/2020/58 dated March 30, 2020;
- SEBI circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/59 dated April 13, 2020

Further, the BSE Limited and National Stock Exchange of India have also come

forward to simplify the compliance requirements in the interest of stakeholders during this virus pandemic and have allowed the submission of documents in SD/- mode, i.e. without signatures due to non-availability of necessary infrastructure in the light of lockdown policy, instructed by the government of India.

KEY MEASURES

Below mentioned are the relaxations granted from compliance stipulations under:

A. SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 ("LODR")

1. **Regulation 47:** SEBI has temporarily exempted the publication of advertisements in newspapers as required under regulation 47 for all the events scheduled till May 15, 2020.

2. Extension of timelines for filings with the stock exchange(s):

i. **Regulation 40(9):** The due date for submitting the half-yearly compliance certificate from practicing company secretary on timely issue of share certificates for the half-year ended March 31, 2020, has been extended till May 31, 2020, i.e. with a relaxation of 1 month;

ii. **Regulation 7(3):** The compliance

certificate on the share transfer facility is required to be filed within one month from the end of each half-year. The SEBI circular extends the due date from April 30, 2020, to May 31, 2020, for the half-year ended March 31, 2020;

iii. **Regulation 13(3):** The due date for filing statement of investor complaints for the quarter ending March 31, 2020 has been relaxed with a period of 3 weeks (approx.), i.e. by May 15, 2020;

iv. **Regulation 24A read with SEBI circular dated February 8, 2019¹:** The timeline to file the secretarial compliance report has been stretched from May 30, 2020 to June 30, 2020 for the financial year ended March 31, 2020;

v. **Regulation 27(2):** The timeline for filing corporate governance report for the quarter ending March 31, 2020 has been relaxed with a period of 1 month, i.e. by May 15, 2020;

vi. **Regulation 31:** The shareholding pattern for the quarter ending March 31, 2020, can now be filed till May 15, 2020, with a granted relaxation period of 3 weeks (approx.);

¹ SEBI circular no. CIRCIR/CFD/CMD1/27/2019 dated February 8, 2019

- vii. **Regulation 33:** The timeline for filing the financial results for the quarter ending March 31, 2020, has now been relaxed from May 15, 2020 to June 30, 2020, and likewise, the timeline for annual financial results has also been extended till June 30, 2020 from May 30, 2020.

This relaxed timeline has correspondingly been prolonged to the submission of financial results by those listed entities who have listed their commercial papers (CPs) and non-convertible debentures (NCDs)/ non-convertible redeemable preference shares (NCRPS) under regulation 52(1) & (2).

- viii. **Issuers intend/ propose to list their NCDs/ NCRPS/ CPs:** The relaxation of the timeline for filing the audited financials as on September 30, 2019 has been prolonged with a period of 60 days, i.e., on or before May 31, 2020;
- ix. The large corporate entities are required to make initial and annual disclosure vide SEBI circular dated November 26, 2018², by April 30 and May 15 every year respectively, however, the date has now been changed to June 30, 2020, for both the

yearly disclosures for the period ending March 31, 2020;

3. Meetings of board and other committees:

- i. **Regulation 17(2) & 18(2)(a):** The board of directors and audit committee of the listed entity(ies) are exempted to comply with a maximum time gap of 120 days between two meetings for the meetings held or proposed to be held between the period December 1, 2019 and June 30, 2020. However, the requirement to meet at least four times a year still exists;

- ii. **Regulation 19(3A), 20(3A) & 21(3A):** The requirement to meet at least once in a year by nomination & remuneration committee, stakeholders relationship committee and risk management committee has been relaxed for a period of 3 months, i.e. till June 30, 2020 for the year ended March 31, 2020;

4. Regulation 44(5)- Annual general meeting (AGM) by top 100 listed entities by market capitalization for the financial year 2019-20:

The timeline to hold AGM has been extended from August 31, 2020, to September 30, 2020;

² SEBI circular no. HO/DDHS/CIR/P/2018/144 dated November 26, 2018

B. SEBI (ISSUE AND LISTING OF DEBT SECURITIES BY MUNICIPALITIES) REGULATIONS, 2015 ("ILDM") & SEBI CIRCULARS DATED JUNE 19, 2017 & NOVEMBER 13, 2019³

i. **Investor grievance report as per municipal bond:** The due date for filing investor grievance report with the stock exchange(s) for the half-year ended March 31, 2020, has been extended till June 30, 2020, i.e. with a relaxation of 45 days;

ii. **Financial results:** The filing of financial results for the half-year ended March 31, 2020, is granted till June 30, 2020, i.e. with a relaxation of 30 days;

iii. **Accounts maintained by issuers:** The date for quarterly reporting is allowed till June 30, 2020, from May 15, 2020, for the quarter ended March 31, 2020;

C. SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 2011 ("SAST")

The disclosures under regulations 30(1) & (2), 31(4) are required to be disseminated by shareholders to the company and stock exchange(s) within 7 working days from the end of the

³ SEBI circular nos. CIR/IMD/DF1/60/2017 dated June 19, 2017 and SEBI/HO/DDHS/CIR/P/134/2019 dated November 13, 2019

financial year. The deadline to disseminate the disclosure is relaxed till June 01, 2020, for the financial year ending March 31, 2020;

D. The capital market regulator has issued the circular dated October 29, 2013⁴, for the companies proposing to make public issue of debt securities, which is now relaxed in a way to file the unaudited financials along with limited review report in the current financial year, instead of audited financials in the offer document, not older than 6 months from the date of prospectus.

Further, SEBI has issued the circular dated October 22, 2019, and December 24, 2019⁵, for the issuers, which intend to list their CPs and the aforesaid relaxation in respect for filling of unaudited financials with limited review report is parallelly been granted to them in the similar manner.

E. The effective date of SEBI circular dated January 22, 2020, relating to **standard operating procedures ("SOP")**⁶ on the imposition of fines and other enforcement actions for

⁴ SEBI circular no. CIR/IMD/DF/18/2013 dated October 29, 2013

⁵ SEBI circular nos. SEBI/HO/DDHS/CIR/P/2019/115 dated October 22, 2019 and SEBI/HO/DDHS/CIR/P/2019/167 dated December 24, 2019

⁶ SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/12 dated January 22, 2020

non-compliances under LODR, shall now be effective from the compliance periods ending on or after June 30, 2020 and till then, the SOP circular dated May 03, 2018 would be applicable.

F. The time limits in compliance with the requirements pertaining to **portfolio managers** for the following has been stretched, by two months:

- i. Monthly reporting for the periods ending March 31, 2020 and April 30, 2020 by portfolio managers to the SEBI;
- ii. Applicability of SEBI circular dated February 13, 2020⁷, on 'Guidelines for Portfolio Managers'.

G. The due date for regulatory filings in compliance with the requirements relating to Alternative Investment Funds ("**AIFs**") and Venture Capital Funds ("**VCFs**") for the periods ending March 31, 2020 and April 30, 2020 has been extended by two months, over and above the timelines stipulated under the SEBI (Alternative Investment Funds) Regulations, 2012 read with the circulars issued thereunder.

H. SEBI (CREDIT RATING AGENCIES) REGULATIONS, 1999

Consideration to the moratorium permitted by the Reserve Bank of India ("**RBI**") vide notification dated March 27, 2020⁸ on loan servicing, working capital facilities, etc. for a period of 3 months, a need was felt to grant temporary relaxation in compliance by Credit rating agencies ("**CRAs**").

- i. **Recognition of default:** The CRAs will assess the defaults recognized, on case to case basis and in case CRA is of the view that a delay in payment of interest/ penalty has arisen solely due to the lockdown creating temporary operational challenges in servicing debt, then they may not consider the same as default. The disclosures in this regard shall be made in the press release. This relaxation is granted till the moratorium period declared by the RBI;

- ii. **Extension in timeline for press release & website disclosure:** An extension of 30 days is being granted for making annual & semi-annual disclosures by CRAs on its website for the period ended March 31, 2020;

I. The time limits for processing of the

⁷ SEBI circular no. SEBI/HO/IMD/DF1/CIR/P/2020/26 dated February 13, 2020

⁸ RBI notification no. RBI/2019-20/186, dated March 27, 2020

below mentioned investor requests relating to physical securities and compliance/ activities & disclosures to be made in adherence to the SEBI regulations & various other circulars are relaxed by the capital market regulator for equivalent period of lockdown declared by the government of India, i.e. 21 days, over and above the prescribed deadlines, and also for further lockdown period:

- i. Remat of securities;
- ii. Transmission of securities;
- iii. Issue of duplicate share certificates;
- iv. Name deletion/ name change/ transposition/ pending share transfers (re-lodgment cases in the case of share transfers);
- v. Consolidation/ split/ replacement of share certificates/ amalgamation of folios;
- vi. Handling investor correspondence/ grievances/ SCORES complaint;
- vii. Submission of half yearly report to the SEBI pursuant to SEBI circular dated July 05, 2012⁹;
- viii. Compulsory internal audit of RTAs by CA/ CS/ CMA holding certificate of practice and Certified Information Systems Auditor (CISA) / Diploma Information Systems Auditor (DISA) pursuant to circular dated April 20, 2018, issued by the SEBI;
- ix. Submission of audit report by CISA / CISM qualified or equivalent auditor by QRTAs to the SEBI along with comments of the board

pursuant to circular dated September 8, 2017 issued by the SEBI on cyber security and cyber security resilience framework for QRTAs;

- x. Submission of compliance report by QRTAs duly reviewed by the board of directors of the QRTA to SEBI on enhanced monitoring of QRTAs pursuant to circular dated August 10, 2018 issued by the SEBI;
- xi. Regulation 74(5) of the SEBI (Depositories and Participants) Regulations, 2018;
- xii. Regulation 76 of the SEBI (D & P) Regulations, 2018

The directions in this respect are being issued to the intermediaries/ market participants (including registrars to an issue ("**RTI**") and share transfer agents ("**STA**") / issuer companies, holding SEBI registration under category 1 or 2 of RTI/STA). Further, additional ease in prescribed timelines for equal number of extended days in lockdown is also being provided to the intermediaries/ market participants amid COVID-19 as directed by the government of India.

Considering the above measures, the companies are (disregarding the immediate compliance requirements) now primarily, have to assess the impact of the pandemic on the financial and business operations, and simultaneously analyze and focus on the corrective measures.

⁹ SEBI circular no. CIR/MIRSD/7/2012 dated July 05, 2012

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