



**AMENDMENT IN SEBI SOP CIRCULAR AND PROCEDURE FOR REVOCATION  
AND SUSPENSION OF TRADING OF SECURITIES**

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Securities and Exchange Board of India vide its circular dated January, 22, 2020 has amended the penal provisions for non-compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Standard Operating Procedure (SOP) for suspension and revocation of trading of specified securities. This circular supresses the earlier circulars issued in this regard. The note is divided into three parts, actions to be taken by the Stock Exchanges, SOP, Other aspects.

### **Rationale**

SEBI vide notification dated May, 09, 2020 had amended SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Pursuant to the amendment a number of new regulations were introduced. To name a few, Regulation 17(1A), Regulation 17 (2A), Regulation 24A. These Regulations were not covered in the existing circular and certain existing Regulations were also not covered in the circular. The new circular has been issued to streamline the Standard Operating Procedure for dealing with non-compliances and to cover all the Regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations.

### **What's New?**

- Action to be taken in case of non- compliances

The existing circular covers 18 instances of non-compliances for which penal provisions are applicable by a way of fine. The new circular deals with 28 instances of non-compliances for which penal provisions are applicable by a way of fine.

- SOP

The provisions relating to freezing and unfreezing of entire shareholding of promoters in the entity as well as other securities held in demat account of the promoters.

- Other aspects- Exchange Monitoring

Other aspects referred in the New SOP circular mainly deals with procedural aspects to be followed by the Stock Exchanges for suspension and revocation of trading of specified securities.

- **ACTION TO BE TAKEN IN CASE OF NON- COMPLIANCES**

The newly introduced instances of non-compliances and the fine payable in case of non-compliance are mentioned below:

Sl.no	Regulation	Fine payable and/or other action to be taken for non-compliance in respect of listed entity
1	Regulation 13(1) Failure to ensure that adequate steps are taken for expeditious redressal of investor complaints <i>Fines would be imposed even during suspension period for non-compliance of regulation 13(1), the modalities of the same would be dealt as part of a separate circular</i>	₹1,000 per day
2	Regulation 17(1A) Non-compliance with the requirements pertaining to appointment or continuation of Non-executive director who has attained the age of seventy five years	₹2,000 per day
3	Regulation 17(2) Non-compliance with the requirements pertaining to the number of Board meetings	₹ 10,000 per instance
4	Regulation 17(2A) Non-compliance with the requirements pertaining to quorum of Board meetings.	₹ 10,000 per instance
5	Regulation 23(9) Non-compliance with disclosure of related party transactions on consolidated basis.	₹ 5,000 per day
6	Regulation 24A Non-compliance with submission of secretarial compliance report	₹ 2,000 per day
7	Regulation 28 (1) Non-compliance with obtaining in-principle approval of stock exchange(s) before issuance of securities	₹ 50,000 per instance
8	Regulation 31A(3)(a)	₹ 5,000 per day

	Non-compliance pertaining to delay in submission of reclassification application to stock exchanges	
9	Regulation 32(1) Non-submission of deviations/variations in utilization of issue proceeds	₹ 1,000 per day
10	Regulation 43A Non-disclosure of Dividend Distribution Policy in the Annual Report and on the websites of the entity.	₹ 25,000 per instance
11	Regulation 44(5) Non-convening of annual general meeting within a period of five months from the close of financial year.	₹ 25,000 per instance
12	Regulation 45(3) Non-obtaining approval of stock exchange(s) before filing request for change of name with Registrar of Companies	₹ 25,000 per instance

▪ **STANDARD OPERATING PROCEDURE (SOP)**

- a. Freezing of entire shareholding of promoter(s) in such entity as well as other securities held in demat account of the promoter(s)

The Stock Exchanges shall review the compliance status of the listed entities **within 30 days from the due date of submission of information instead of 15 days from the date of receipt of information** and **issue notice to the promoter(s) instead of** the non-compliant listed entity for compliance and payment of fine. If the listed entity fails to comply with notice, the stock exchange shall intimate the depository to freeze entire shareholding of the promoter(s) in such entity as well as other securities held in demat accounts.

- b. Unfreezing of entire shareholding of promoter(s) in such entity as well as other securities held in demat account of the promoter(s)

As per the new SOP circular, the recognized stock exchange(s) shall intimate the depositories to unfreeze the entire shareholding of the promoter(s) in such entity as well as all other

securities held in the demat account of the promoter(s), **immediately from the date of compliance**. Previously, it was done after one month of the date of compliance.

▪ **OTHER ASPECTS- EXCHANGE MONITORING**

Other aspects referred in the New SOP Circular mainly deal with other procedural aspects to be followed by the Stock exchanges in respect of:

- a. Moving the scrip of the listed entity to “Z” Category:
  - Intimation to the non-compliant listed entity before moving the scrip to “Z” Category
  - 10 days prior notice to the public investors before moving the scrip to “Z” Category
- b. Suspending the trading in the shares of the listed entity and:
  - If the listed entity complies with respective provisions of the Listing Regulations, no suspension proceedings would be initiated.
  - If the non-compliant listed entity complies with respective requirement(s) two working days before the proposed date of suspension, the trading in its shares shall not be suspended.
- c. Revocation of suspension of trading:

After the listed entity complies with the requirements, the recognized stock exchange shall revoke the suspension after giving a public notice on its website informing compliance by the listed entity.



**IMPORTANT DATE**

The Circular shall come into force with effect from compliance periods ending on or after March 31, 2020. It may be noted that the SOP circular dated May 03, 2018 would be applicable till the time current SOP circular comes into force.

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