Streamlining timeline for submission of first financial results by newly-listed entities and introduction of timeline to fill up vacancies of Directors and other officers by listed entities – Amendment to SEBI (LODR) Regulations, 2015

1. Objective

1.1. This memorandum seeks approval of the Board to amend the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations**" / "**LODR**") with the following objectives:

1.1.1. Streamlining timeline for submission of first financial results by newly-listed entities.

1.1.2. Introduction of timeline to fill up vacancies of Directors, Compliance Officer, Chief Executive Officer (CEO) and Chief Financial Officer (CFO) in listed entities.

2. Deliberations in the PMAC and Public Consultation

2.1. Based on recent events observed at certain listed entities, various representations received and our internal deliberations, certain issues / challenges arising out of the extant timeline prescribed for submission of first financial results by newly-listed entities and timelines prescribed to fill up vacancies of directors, Compliance Officer, CEO and CFO in listed entities, were identified and deliberated in the meeting of the Primary Market Advisory Committee (PMAC) of SEBI.

2.2. Based on PMAC recommendations and further internal deliberations, a consultation paper on 'Streamlining Disclosures by Listed Entities and Strengthening Compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015' (**Annexure 1**) was issued on February 20, 2023 requesting comments from the public.

2.3. A total of 51 commenters have provided their comments / suggestions on the proposals contained in the consultation paper. Proposal-wise comments received are placed as **Annexure 2**. The different categories to which the commenters belong is tabulated below:

Table 1: Break-up of the types of commenters who have commented on the Consultation Paper

Category	Number of commenters
Listed entities	23
Professionals	17
Institutions	5
Industry Associations	3
Law Firms	3
Total	**51**

2.4. The issues identified, proposals made in the consultation paper, public comments thereon, our analysis and the final proposals for the Board's consideration are discussed in detail as separate paragraphs in this memorandum.

3. Streamlining timeline for submission of first financial results by newly-listed entities

3.1. Background

3.1.1. Regulation 33 of LODR requires listed entities to submit their financial results to the stock exchanges within the timelines mentioned below:

a) Quarterly financial results within 45 days from the end of each quarter, other than the last quarter (regulation 33(3)(a) of LODR Regulations);

b) Quarterly financial results for the last quarter and the annual financial results within 60 days from the end of the financial year (regulation 33(3) (d) and (e) of LODR Regulations).

3.1.2. At present, the above timelines are applicable for newly-listed entities as well for submitting their first financial results post listing.

3.1.3. Representations have been received regarding challenges faced by the newly-listed entities in filing their first financial results immediately after their listing and also highlighting the gap in the current regulatory

provisions which is not conducive to timely disclosure of the first financial results by such newly-listed entities.

3.2. **First issue under consideration – Challenges regarding immediate disclosure of first financial results**

3.2.1. In the event a company gets listed close to the timeline prescribed for submission of financial results (as per regulation 33 of LODR indicated above), it would be required to announce its first quarterly / annual financial results, as the case may be, within a very short period of time post listing. Since the financial results are price sensitive information, disclosures of such financial results immediately after listing may also have large impact on the company's share price even before the price of its scrip has stabilized post listing.

3.2.2. In this regard, to better appreciate the above mentioned concern, different scenarios based on different dates of listing are presented below:

Table 2: Challenges in disclosure of first financial results by newly-listed entities

Listing Date (A)	**Current requirement for disclosure of December quarter results post listing (B)**	**Gap between listing date & timeline for disclosure of first financial results (C = B – A)**
January 01	By February 14	44 days
January 15	By February 14	30 days
January 31	By February 14	14 days
February 14	**By February 14**	**0 days**

3.2.3. In order to provide adequate time to a newly-listed entity to disclose its first financial results post its listing, it is desirable that at least 15 days' time period from the date of listing may be made available for making such disclosures by a newly-listed entity.

3.3. **Second issue under consideration – Gaps in disclosure of financial results for a quarter and in timely disclosure of first financial results post listing**

3.3.1. As per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("**ICDR Regulations**"), issuers are required to provide audited financial results in their offer documents which should not be more than six months old prior to the issue opening date.

3.3.2. In the event where issuers list immediately after 45 days from the end of a quarter, in such a situation, the issuer (having option to disclose the 6 months' old financial results) may not have disclosed the financial results for such quarter in the offer document and post listing in terms of timelines prescribed under regulation 33 of LODR. In such cases investors would not get the information on financial performance of the issuer for one quarter, after its listing. This would also lead to information asymmetry as the company and its officials would have access to this information, but the investors would not; investors will know only about the past period financials that were disclosed by the issuer in the offer documents.

3.3.3. In addition to non-disclosure of financial results for one quarter as mentioned in the above para, the first financial results which will be required to be disclosed by the issuer in terms of regulation 33 of LODR would be for the next quarter only, as a result of which, there would be large time gap before the first financial results are disclosed to the shareholders and public at large by such a newly-listed entity after its listing.

3.3.4. In this regard, for better demonstration of this issue, different scenarios based on different dates of listing are presented below:

Table 3: Gaps in disclosure of first financial results by newly-listed entities

Listing Date (A)	**Current requirement for disclosure of December quarter results (B)**	**Current requirement for disclosure of March quarter and annual results (C)**	**Gap between listing date & timeline for disclosure of first financial results (D = C – A)**
February 15	No requirement for disclosure of December quarter results in the offer document or post listing.	By May 30	104 days (March quarter results)
March 01		By May 30	90 days (March quarter results)
March 31		By May 30	60 days (March quarter results)

3.3.5. As a result of the above shown gaps in disclosure of first financial results, it may so happen that IPOs may be deliberately bunched up together for getting listed within a short window of a few days so as to take the benefit of the current regulatory gap in disclosure of first financial results post listing to avoid the challenges / apprehensions involved in immediate disclosure of first financial results post listing. Hence, there is a need to create a balance between the two extreme scenarios as demonstrated above.

3.3.6. An analysis of companies listed on the main board in the year 2021 was conducted. Out of 64 such companies, 24 companies did not disclose audited / limited reviewed financial results for one quarter while 7 companies had less than 15 days from the date of listing, for submission of first financial results.

3.4. **Proposals in the consultation paper**

3.4.1. As illustrated in Table 2 and Table 3 above, the following issues need to be addressed:

a) Absence of adequate time period for disclosure of financial results post listing.

b) Absence of the requirement to submit financial results for the previous quarter if the listing date happens to fall immediately

after the statutory timeline prescribed for submission of the financial results (quarterly or annual, as the case may be).

3.4.2. Based on the discussions in PMAC and further internal deliberations, the following was proposed in the consultation paper in order to address the above mentioned two issues, respectively:

a) A time period of 15 days may be provided for newly-listed entities for disclosure of first financial results.

b) A newly-listed entity may be required to disclose its first financial results post its listing, for the period immediately succeeding to the periods for which financial statements were disclosed in its offer document for initial public offer, within 15 days from the date of listing or as per the applicable timeline under LODR Regulations, whichever is later.

For example, in case of listing on March 01, 2023, as per the requirement under ICDR Regulations, the issuer would have disclosed in its offer documents the financial results till the period ended September 30, 2022. Hence, post its listing, it would be now required to disclose the financial results for the succeeding period, i.e., quarter ended December 31, 2022, within 15 days from the date of listing, i.e. by March 16, 2023. The annual financial results for the financial year ended March 31, 2023 would be required to be disclosed as per the existing timeline specified in regulation 33 of LODR Regulations, i.e., by May 30, 2023.

3.4.3. Combining the above two proposals, a new clause (j) was proposed to be inserted in sub-regulation (3) of regulation 33 of LODR as follows:

"(j) The listed entity, post listing, shall submit its first financial results, quarterly or annual as the case may be, immediately succeeding to the periods for which financial statements were disclosed in its offer document for initial public offer, as per the

timeline indicated at clause (a) or clause (d) above, as applicable, or within 15 days from the date of listing, whichever is later."

3.5. **Public comments**

3.5.1. The responses received to the question posed in the Consultation Paper is tabulated below:

Table 4: Summary of responses received on the proposal

Question	Total comments	Agree	Partially Agree	Disagree
Whether you agree with the proposed new sub-regulation for submission of first financial results by the newly-listed entity?	42	29	11	2

3.5.2. The commenters who have disagreed or partially agreed have mostly suggested to increase the timeline for submission of first financial results from 15 days to 30 days based on the following rationale:

a) The company's senior management would be tied up in the listing process and listing related formalities and then with adapting to post listing compliances understanding the new requirements. Further, consolidation of accounts, especially in case of foreign subsidiaries, and completing audit or limited review process would take reasonable time of auditors and management.

b) For results to be declared within 15 days, company will have to pre-intimate stock exchanges of its board meeting for considering the financial results. Such intimation may lead to higher volatility in the price of company's scrip which is usually volatile for initial 1-2 weeks post-listing.

3.5.3. Some concerns have also been raised by the commenters regarding applicability of the proposed amendment to SME listed companies which are required to disclose half-yearly results instead of quarterly results.

3.5.4. The commenters who are in agreement have welcomed the proposal as it will give clarity with regard to submission of first financial results immediately post listing and investors will get to know promptly the financial performance of the Company and can assess their value of investment in the Company.

3.6. **Analysis**

3.6.1. The aforesaid rationale given by the commenters to support their suggestion to increase the proposed timeline from 15 days to 30 days is analyzed below:

a) The listing process starts well before filing of draft offer document by the issuer with SEBI and stock exchanges. The issuer proposing to get its equity shares listed should already be aware of the post listing requirements under LODR Regulations. Further, as per the proposed timeline, the company will have at least 45 days from the end of a quarter for submission of financial results and an additional time of 15 days from the date of listing. For example, a company getting listed on February 15, 2023, i.e. after 45 days from the end of the quarter ended December, 2022, will have another 15 days in its hand to file the financial results of the quarter ended December, 2022, which is the period falling immediately after the period for which it had disclosed the audited financial statements in its offer document at the time of its listing. Hence, there is ample time with the company for preparation of financial results and to complete the audit or limited review process, for the relevant quarter or year, as the case may be, for filing to the stock exchanges after its listing.

b) As per Regulation 29 of LODR, listed entities are required to give prior intimation of at least 5 days (excluding the date of the intimation and date of the meeting) before the meeting of board of directors proposed to be held to consider financial results. A prior intimation of total 7 days would mean, the newly-listed entity

would have to give prior intimation of its board meeting within 8 days from the date of listing in order for the board of directors to approve the financial results within 15 days from the date of listing. Conducting meetings of audit committee and board of directors to consider financials within such short time post listing may be onerous on the listed entities. Hence, although 15 days' period post listing is adequate per se to prepare the financial results of the past quarter, considering the aforesaid practical difficulties involved in getting the financial results approved by the board of directors in 15 days, a longer timeline of 21 days from the date of listing may be provided. Based on the data analyzed for companies listed on main board in the year 2021, out of 64 companies, 9 companies had less than 21 days from the date of listing, for submission of first financial results.

3.6.2. The concern raised regarding SME listed entities is already dealt with in regulation 33(5) of LODR which states that any reference to "quarterly/quarter" in regulation 33 of LODR shall be respectively read as "half yearly/half year" in case of SME listed entities. Hence, in case of SME listed entities, the proposed timeline for submission of first financial results shall be applicable for half-yearly financial results instead of quarterly financial results.

3.7. **Proposed amendment to the LODR Regulations**

3.7.1. In view of our analysis above, it is proposed to insert a new clause (j) in sub-regulation (3) of regulation 33 of LODR Regulations as follows:

"(j) The listed entity shall, subsequent to the listing, submit its financial results for the quarter or the financial year immediately succeeding the period for which the financial statements have been disclosed in the offer document for the initial public offer, in accordance with the timeline specified in clause (a) or clause (d) of this sub-regulation, as the case may be, or within 21 days from the date of its listing, whichever is later."

3.7.2. For better demonstration, the effect of the above proposals on submission of financial results by newly-listed entities for December quarter and for the last quarter and financial year ended March is illustrated in **Annexure 3**.

3.7.3. It is proposed to make the above proposed amendment applicable for public issues opening on or after the 30th day from the date of notification of the amendment of regulations.

4. Introduction of timeline to fill up the vacancy of directors in listed entities

4.1. Issue under consideration

4.1.1. Regulation 17(1) of LODR Regulations specifies the composition of board of directors for the listed entities including minimum number of directors, independent directors, non-executive directors, woman director and independent woman director.

4.1.2. Regulation 25(6) of LODR Regulations specifies that an independent director who resigns or is removed from the board of directors of the listed entity shall be replaced by a new independent director by the listed entity at the earliest but not later than three months from the date of such vacancy.

4.1.3. No timeline has been prescribed under LODR Regulations for filling up vacancies of independent directors arising out of reasons other than resignation and removal, such as death, disqualification, etc., and also for filling up the vacancies of other categories of directors, other than independent directors.

4.1.4. Considering the fact that every director on the board of a listed entity has significant role and responsibilities, there is a need to specify a reasonable timeline within which a vacancy arising for the position of any director should be filled up by the listed entity. Timely filling up vacancies of directors will also ensure that the board of listed entities has an optimum combination of directors as envisaged under regulation 17(1) of LODR.

4.1.5. The requirement to fill up the vacancy of a director may not be applicable in case the listed entity is compliant with the composition of board of directors under regulation 17(1) of LODR without filling up the vacancy created.

4.1.6. Further, it is noted that the listed entity may become non-compliant with the composition of board of directors under regulation 17(1) of LODR due to the following reasons:

a) appointment of a non-independent director; or,
b) change in designation of an existing director, for example, an independent director has become non-independent; or,
c) cessation of an existing director due to completion of his/her tenure.

4.1.7. In the above mentioned three eventualities, the listed entity is always aware in advance of the consequent impending non-compliance in respect of composition of board of directors as mandated under regulation 17(1) of LODR. Therefore, it is incumbent upon the listed entity to comply with the requirements of regulation 17(1) of LODR immediately after any one of the above stated three eventualities happen, and no additional timeline should be provided to the entity for filling up the vacancy arising out of any of the aforesaid three situations.

4.2. **Proposals in the consultation paper**:

4.2.1. The issue of specifying a timeline for filing up vacancy of directors was discussed in the PMAC of SEBI, and with the stock exchanges. Based on the discussions and further internal deliberations, the following was proposed in the consultation paper:

a) The extant sub-regulation 25(6) of LODR Regulations may be deleted.
b) A new sub-regulation may be inserted under Regulation 17 of LODR Regulations as follows:

"Any intermittent vacancy of a director shall be filled-up by the listed entity at the earliest but not later than three months from the date of such vacancy.

Provided that the above provision shall not be applicable to the listed entity which fulfils the requirement under sub-regulation (1) of regulation 17 without filling up the vacancy created.

Provided further that in case the listed entity has become non-compliant with the requirement under sub-regulation (1) of regulation 17 due to appointment of a non-independent director or change in designation of an existing director or cessation of an existing director due to completion of his/her tenure, the vacancy of director so created shall be filled-up by the listed entity not later than the date of such vacancy."

4.3. **Public comments**

4.3.1. The response to the question posed in the Consultation Paper is tabulated below:

Table 5: Summary of responses received on the proposal

Question	Total comments	Agree	Partially Agree	Disagree
Whether you agree with the proposed new sub-regulation for filling up vacancy of directors by listed entities?	47	22	19	6

4.3.2. Some concerns have been raised on the proposal to specify a timeline of 3 months for filing up the vacancy of director, which are highlighted below:

a) Sufficient time of 4 to 6 months should be available with the Nomination and Remuneration Committee (NRC) of the

company's board to select suitable candidates and for the candidates to join.

b) In case of Managing Director / Whole-time Director, the timeline is less as it is a critical position for taking business decisions on a regular basis and the appointment is made after extensive search and review process that takes into account the demands of the company, especially in case of a professionally managed company.

c) The timeline is very less for those companies where appointment is subject to clearance from certain regulatory authorities or in case of government companies where the power to appoint directors lies with the Government and these appointments are made after following the laid down guidelines.

4.3.3. Some commenters have suggested that in case of the three scenarios mentioned at para 4.1.6 above, the timeline for filling up vacancy of directors should be at least 1 to 3 months instead of the proposal to mandate immediate filling up of such vacancy. The rationale given by such commenters is highlighted below:

a) The management may not always be aware of the impending change in such cases, for example, appointment of a non-independent director due to business decisions / developments or sudden change in designation of an existing director, like from independent director to non-executive director or from non-executive director to executive director.

b) An independent director may lose his/her independence due to certain factors, for example, due to his/her relative not meeting any of the prescribed criteria, which the listed entity is not aware of or made subsequently aware of by such director. Finding an independent director who meets the criteria of independence and fulfills the matrix of expertise, qualifications, experience, board's diversity, etc. would take time.

c) Appointment of new director requires approval of board of directors which may take time. Even in planned exit situations, i.e., completion of the tenure of a director, it may be possible that some documentation or technical issues like obtaining a Director Identification Number (DIN) and creation of Digital Signature Certificate (DSC) for a new director may not make perfect synchronization of appointments possible.

4.3.4. The commenters agreeing to the proposal have welcomed the proposal as it will ensure timely filling up of vacancy of directors. It has also been suggested that timelines may be further reduced since companies may appoint additional directors under the provisions of the Companies Act, 2013 to fill a gap for interim period before they find someone very desirable.

4.4. **Analysis**

4.4.1. The concerns raised on the proposal to specify a timeline of 3 months for filing up vacancy of directors are analyzed below:

a) In order to ensure proper functioning of the board of directors in a listed entity, it is desirable that the board fulfills the minimum requirement under regulation 17(1) of LODR Regulations. Decisions taken by a deficient board and its committees may not be in the best interest of the stakeholders. Hence, NRC and the board should make urgent efforts to fill up any vacancy of director at the earliest. In any case, ideally vacancies should be filled up within 3 months since meetings of the board and its committees are usually conducted once in every quarter to consider vital decisions with respect to the entity including its financial results. The new director who comes in also takes time to get familiarized with the business and functioning of the entity to be able to effectively participate in such meetings.

b) Under the current legal framework, there is no requirement for companies to mandatorily have a Managing Director or Whole-

time Director. In case of such vacancies, companies may appoint a Chief Executive Officer or manager, who may not be part of the board, to carry out the day-to-day management responsibilities and may appoint an additional director to fill up the vacancy. However, as a best practice, companies should have proper succession planning in place, especially for key positions in board of directors and senior management. Board of directors of listed entities are also mandated under LODR Regulations to oversee orderly succession for the appointments to the board of directors and senior management.

c) Fines are levied by stock exchanges for non-compliance with the provisions of regulation 17(1) of LODR Regulations pertaining to composition of board of directors under SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/12 dated January 22, 2020 ("**SOP circular**") on 'Non-compliance with certain provisions of the LODR Regulations and standard operating procedure ("**SOP**") for suspension and revocation of trading of specified securities'. Stock exchanges have at the same time also put in place a policy for waiver / reduction of fines levied under the SOP circular considering non-compliance arising out of pending approval from the Government or any regulatory authority for appointment of directors. In such cases, the waiver committee of the respective stock exchange takes decision on waiver of fines based on the evidence provided by the company to support adequate steps taken by the company to remedy the non-compliance, within the stipulated time. Hence, the concerns regarding clearance from regulatory authorities or the Government have already been dealt with as discussed above.

4.4.2. In view of the above, there does not appear to be a need to re-consider the timeline of 3 months proposed to be prescribed for filling up the vacancies of directors.

4.4.3. As mentioned at para 4.1.6 and 4.2.1 above, in the following cases of non-compliance with the composition of board of directors, it was proposed that the listed entity should fill up the consequential vacancy of director so created, not later than the date of such vacancy:

a) appointment of a non-independent director; or,
b) change in designation of an existing director, for example, an independent director has become non-independent; or,
c) cessation of an existing director due to completion of his/her tenure

4.4.4. With respect to the above mentioned proposal, the comments received are analyzed below:

a) With regard to the first two cases, viz., appointment of a non-independent director and change in designation of an existing director, commenters have argued that company may not always be aware in advance of such eventualities due to business decisions / developments or due to actions of third party like relatives of independent directors. It may be onerous on the company to appoint a new director in such cases on the date of creation of the vacancy. Hence, the timeline may be kept as 3 months from the date of vacancy in such cases. The concerns expressed by the commenters appear to be valid, hence deserve a favorable consideration. However, in order to specify the timeline of 3 months for filling up such vacancies, the word ‘intermittent’ may be removed before the word ‘vacancy’ in the proposed sub-regulation. Hence, any vacancy, whether intermittent or new, shall be required to be filled up within 3 months from the date of such vacancy except in the case discussed below.

b) In case of completion of tenure of a director, companies have prior knowledge of the impending vacancy and the consequent non-compliance and hence, should ensure that appointment of a new director is made sufficiently before the date of cessation of

the outgoing director so as to complete documentation and other formalities within time and ensure that the new incumbent director takes over immediately on the day the vacancy is created. Hence, in this case the timeline for filling-up the vacancy so created may be retained as not later than the date of such vacancy.

4.5. **Proposed amendment to the LODR Regulations**

4.5.1. In view of our analysis above, it is proposed to delete the extant sub-regulation 25(6) of LODR Regulations and insert a new sub-regulation under regulation 17 of LODR Regulations as given below:

"Any vacancy in the office of a director shall be filled by the listed entity at the earliest and in any case not later than three months from the date such vacancy.

Provided that if the listed entity becomes non-compliant with the requirement under sub-regulation (1) of this regulation, due to expiration of the term of office of any director, the resulting vacancy shall be filled by the listed entity not later than the date such office is vacated.

Provided further that this sub-regulation shall not apply if the listed entity fulfils the requirement under sub-regulation (1) of this regulation without filling the vacancy."

5. Introduction of timeline to fill up the vacancy of Compliance Officer, CEO and CFO in listed entities

5.1. **Issue under consideration**

5.1.1. LODR Regulations cast various responsibilities and obligations on the Compliance Officer, CEO and CFO of listed entities.

5.1.2. Regulation 6(1) of LODR Regulations requires a listed entity to appoint a qualified company secretary as the compliance officer. Compliance officers of listed entities have been entrusted with a number of responsibilities relating to ensuring compliance with the regulatory

provisions and following correct procedures, and co-ordination with and reporting to SEBI, recognized stock exchanges and depositories, etc.

5.1.3. CEO and CFO of a listed entity are required to provide compliance certificate for financial statements to the board of directors (reg. 17(8) of LODR) and certify that the quarterly financial results do not contain any false or misleading statement or figures and do not omit any material fact (reg. 33(2)(a) of LODR).

5.1.4. Considering the gravity of the responsibilities entrusted on the compliance officer, CEO and CFO of a listed entity, there is a need to specify a reasonable timeline within which, a vacancy arising for such officers should be filled up by the listed entity. In case the listed entity has appointed a Managing Director (MD) / Whole Time Director (WTD) / Manager instead of a CEO, then the timeline for filling up the vacancy as proposed above should be applicable to such personnel as well.

5.1.5. Section 203(4) of the Companies Act, 2013 requires that the vacancy of whole-time key managerial personnel (Company Secretary, CFO, and CEO / MD / WTD / Manager) shall be filled up by the company within six months from the date of such vacancy. In view of the additional functions and responsibilities of the Compliance Officer, CEO and CFO assigned to them under the LODR Regulations as mentioned in the above paragraphs, a stricter timeline of three months may be specified for filling up vacancy of such personnel, so as to ensure smooth functioning of a listed entity.

5.1.6. Under LODR Regulations, one of the key functions of the board of directors of a listed entity is to oversee succession planning of key managerial personnel like Compliance Officer, CFO and CEO. Accordingly, the board of directors of the listed entity should ensure that the vacancies of such personnel are filled up in a timely manner.

5.1.7. In the last three financial years (2019-22), 873 listed entities across NSE and BSE had a vacancy of Compliance Officer. These entities on an average took 181 days (around 6 months) to fill up the vacancy. Out

of these, 122 entities took more than a year to fill up the vacancy while 302 entities were able to fill up the vacancy within 90 days.

5.2. **Proposals in the consultation paper**:

5.2.1. In order to address the above issues, a timeline of 3 months for filling up vacancies of Compliance Officer, CFO and CEO / MD / WTD / Manager by listed entities was proposed to be inserted in LODR Regulations.

5.3. **Public comments**

5.3.1. The responses to the questions posed in the Consultation Paper are tabulated below:

Table 6: Summary of responses received on the proposals

Questions	Total comments	Agree	Partially Agree	Disagree
Whether you agree with the proposed timeline for filling up vacancy of Compliance Officer by listed entities?	49	19	9	21
Whether you agree with the proposed timeline for filling up vacancy of CFO by listed entities?	49	18	9	22
Whether you agree with the proposed timeline for filling up vacancy of CEO / MD / WTD / Manager by listed entities?	48	15	10	23

5.3.2. Most of the concerns / comments received on the above noted three proposals are on similar lines which are highlighted below:

a) The timeline should be in line with section 203 of the Companies Act, 2013 which provides for 6 months to fill up the vacancy of Key Managerial Personnel (KMP). It has also been suggested that since listed entities should uphold higher corporate governance,

the said vacancies may be filled up within 4 months (instead of the proposed 3 months) from the date of such vacancy.

b) Sufficient time is required for companies to search and select suitable candidates, getting approval of Nomination and Remuneration Committee and the board of directors. In case of immediate / unplanned / sudden vacancy like death, the search and selection of the candidate can only begin after the date of such vacancy. Even when the retirement of such a position is known, it takes time to develop a person to take that position from within the company or for selection of a good, experienced candidate from the market. In case an external candidate is selected, he/she would need time to join as he/she may be required to serve notice period or gardening period in the current employment which is usually given for 3 months.

5.3.3. It has been suggested that board of directors of the company may be allowed to appoint interim officers.

5.3.4. The commenters who have agreed to the proposal have highlighted the significance of the nature and role of such positions without which company cannot run smoothly for a long period. It has also been commented that companies which are not able to find people for such key positions within the proposed timeline, raise some red flags and risks for minority shareholders.

5.4. **Analysis**

5.4.1. The concerns raised in the comments are analyzed below:

a) LODR Regulations cast various responsibilities and obligations on the Compliance Officer, CFO and CEO of listed entities which have been elaborated at para 5.1 above. Certification of financial results and filing of financial results, shareholding pattern, compliance report on corporate governance, etc. are required to be filed every quarter under LODR Regulations. Hence, any

vacancy of more than 3 months in such key positions would incapacitate the operations of the company and put various stakeholders at risk.

b) Companies should have proper succession planning in place, especially for key positions like Compliance Officer, CFO and CEO. The same has also been mandated under LODR Regulations as a key responsibility of the board of directors of listed entities to oversee orderly succession for such appointments. This would ensure that the company is in readiness to deal with sudden vacancies.

c) The companies may also appoint interim officers or give additional responsibilities to existing directors / employees while they search for external candidates. However, such appointment should follow the due process of law including approval by NRC and the board of directors, intimation to the stock exchanges and filing of requisite forms to Registrar of Companies under the requirements of the Companies Act, 2013. Such interim officer should bear full responsibilities of the position.

5.5. **Proposed amendments to the LODR Regulations**

5.5.1. In view of the analysis above, the following amendments to the LODR Regulations are proposed:

a) A new sub-regulation may be added in regulation 6 of LODR Regulations as given below:

> "Any vacancy in the office of the Compliance Officer shall be filled by the listed entity at the earliest and in any case not later than three months from the date of such vacancy."

b) A new regulation may be added in LODR Regulations on "Vacancies in respect of certain Key Managerial Personnel" comprising of the following two sub-regulations:

i. "Any vacancy in the office of Chief Executive Officer, Managing Director, Whole Time Director or Manager shall be filled by the listed entity at the earliest and in any case not later than three months from the date of such vacancy."

ii. "Any vacancy in the office of the Chief Financial Officer shall be filled by the listed entity at the earliest and in any case not later than three months from the date of such vacancy."

c) Proviso may be added to the above mentioned proposed sub-regulations to mandate that the listed entity shall not fill up the above vacancies by appointing a person in interim capacity, unless such appointment is made in accordance with the laws applicable in case of a fresh appointment to such office and the obligations under such laws are made applicable to such person.

6. Proposed amendments to the LODR Regulations

6.1. In view of the above, it is proposed to amend the LODR Regulations as specified in para 3.7, 4.5 and 5.5 above.

6.2. Draft amendments to the LODR Regulations are placed as **Annexure 4**.

7. Proposal to the Board

7.1. The Board is requested to consider and approve the amendments to the LODR Regulations, placed as **Annexure 4**. These amendments are proposed to be made applicable within 30 days from the date of notification of the regulations. The proposed amendment specified in para 3.7 above is proposed to be made applicable for the public issues opening on or after the 30th day from the date of notification of the amendment regulations.

7.2. The Board is also requested to authorize the Chairperson to make consequential and incidental changes and take necessary steps to give effect to the decisions of the Board.

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Annexure 1

(Consultation paper is available on SEBI website)

Annexure 2

(This has been excised for reasons of confidentiality)

Annexure 3

Illustrations for proposed timeline for submission of first financial results

1. **The effect of the proposed amendment on submission of December quarter results by newly-listed entities is illustrated in the below tables:**

Table 1.1 – Illustrations for date of listing is on or prior to the current last date of submission of December quarter results

Listing Date (A)	**Current requirement for disclosure of December quarter results (B)**	**Gap between listing date & timeline for disclosure of first financial results (C = B – A)**	**Proposed requirement for disclosure of December quarter results (D)**	**Gap between listing date & timeline for disclosure of first financial results (E = D – A)**
Jan 01	By Feb 14	44 days	By Feb 14	44 days
Jan 15	By Feb 14	30 days	By Feb 14	30 days
Jan 24	By Feb 14	21 days	By Feb 14	21 days
Jan 25	**By Feb 14**	**20 days**	**By Feb 15**	**21 days ***
Feb 04	**By Feb 14**	**10 days**	**By Feb 25**	**21 days ***
Feb 14	**By Feb 14**	**0 days**	**By March 07**	**21 days ***

* The timeline is proposed to be relaxed in these cases to provide adequate time for disclosure of financial results post listing.

Table 1.2 – Illustrations for date of listing is after the current last date of submission of December quarter results

Listing Date (A)	**Current requirement for disclosure of December quarter results (B)**	**Current requirement for disclosure of March quarter and annual results (C)**	**Gap between listing date & timeline for disclosure of first financial results (D = C – A)**	**Proposed requirement for disclosure of December quarter results (E)**	**Gap between listing date & disclosure of first financial results (F = E – A)**
Feb 15	No requirement	By May 30	104 days *	By March 8	**21 days (December quarter results) #**
March 01	No requirement	By May 30	90 days *	By March 22	
March 31	No requirement	By May 30	60 days *	By April 21	

* In the examples provided, the first financial results currently required to be disclosed by the listed entity would be for March quarter and financial year ended March.

As per the proposal, in the examples provided, listed entities would now be required to disclose December quarter results within 21 days from the date of listing.

2. **The effect of the proposed amendment on submission of financial results for the last quarter and financial year ended March is illustrated in the below tables:**

Table 2.1 – Illustrations for date of listing is on or prior to the current last date of submission of March quarter and annual results

Listing Date (A)	**Current requirement for disclosure of March quarter and annual results (B)**	**Gap between listing date & timeline for disclosure of first financial results (C = B – A)**	**Proposed requirement for disclosure of March quarter and annual results (D)**	**Gap between listing date & timeline for disclosure of first financial results (E = D – A)**
April 01	By May 30	59 days	By May 30	59 days
April 30	By May 30	30 days	By May 30	30 days
May 09	By May 30	21 days	By May 30	21 days
May 10	**By May 30**	**20 days**	**By May 31**	**21 days ***
May 20	**By May 30**	**10 days**	**By June 10**	**21 days ***
May 30	**By May 30**	**0 days**	**By June 20**	**21 days ***

* The timeline is proposed to be relaxed in these cases to provide adequate time for disclosure of financial results post listing.

Table 2.2 – Illustrations for date of listing is after the current last date of submission of March quarter and annual results

Listing Date (A)	**Current requirement for disclosure of March quarter and annual results (B)**	**Current requirement for disclosure of June quarter results (C)**	**Gap between listing date & timeline for disclosure of first financial results (D = C – A)**	**Proposed requirement for disclosure of March quarter and annual results (E)**	**Gap between listing date & disclosure of first financial results (F = E – A)**
May 31	No requirement	By August 14	75 days *	By June 21	**21 days (March quarter and annual results) #**
June 15	No requirement	By August 14	60 days *	By July 06	
June 30	No requirement	By August 14	45 days *	By July 21	

* In the examples provided, the first financial results currently required to be disclosed by the listed entity would be for June quarter.

As per the proposal, in the examples provided, listed entities would now be required to disclose March quarter and annual results within 21 days from the date of listing.

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Annexure 4

(This shall be notified at a later date)