

Amendments to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 providing for extending the timeline for mandatory applicability of corporate governance norms and compliance thereof for High Value Debt Listed Entities (HVDLEs)

1. Objective:

The objective of this memorandum is to amend the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the 'LODR Regulations'), for extending the timeline for mandatory applicability of corporate governance norms and compliance thereof for HVDLEs¹.

2. Extending the timeline for mandatory applicability of corporate governance norms and compliance thereof for HVDLEs:

2.1 Background:

2.1.1 SEBI introduced Corporate Governance requirements for listed entities to improve transparency in their functioning and ensure enhanced disclosures to the investors. Regulations 16 to 27 of the LODR Regulations deal with corporate governance requirements for listed entities ('CG provisions').

2.1.2 Vide notification dated September 07, 2021, LODR Regulations were amended, wherein, the corporate governance norms were made applicable to HVDLEs, i.e. a listed entity which has listed its non-convertible debt securities and has an outstanding value of listed non-convertible debt securities of Rupees Five Hundred Crore and above. The LODR Regulations

¹ *An entity which has listed Non-Convertible Debt Security(ies) and has an outstanding value of listed Non-Convertible Debt Security(ies) of Rupees Five Hundred Crore and above;*

further states that in case an entity triggers the specified threshold during the course of the year, it shall ensure compliance with the provisions of corporate governance norms within 6 months from the date of such trigger.

2.1.3 The said provisions were made applicable on a 'comply or explain' basis until March 31, 2023 and extended by the Board for one more year i.e. until March 31, 2024 by amending the second proviso to regulation 15(1A)² of the LODR Regulations.

2.2 Need for extension of the 'comply or explain' period:

2.2.1 SEBI constituted a working group on May 17, 2023, comprising of representatives from the industry to review the applicability of Corporate Governance Norms under LODR Regulations, inter-alia, keeping in mind the ease of doing business and the interest of investors in such HVDLEs.

2.2.2 Further, SEBI, vide press release dated October 04, 2023, sought comments from the public on various Regulations including the LODR Regulations, to promote ease of doing business and reduce the compliance burden. Public comments in this regard, received w.r.t Corporate Governance Norms have been forwarded to the Working Group for consideration in their report.

2.2.3 The Working Group has submitted its report on January 19, 2024 providing recommendations for reviewing the applicability of Corporate Governance Norms to HVDLEs.

² 15(1A) *The provisions of this regulation and regulation 16 to regulation 27 of this chapter shall apply to a listed entity which has listed its non-convertible debt securities and has an outstanding value of listed non-convertible debt securities of Rupees Five Hundred Crore and above:*

Provided that in case an entity that has listed its non-convertible debt securities triggers the specified threshold of Rupees Five Hundred Crore during the course of the year, it shall ensure compliance with these provisions within six months from the date of such trigger:

Provided further that these provisions shall be applicable to a 'high value debt listed entity' on a 'comply or explain' basis until March 31, 2024 and on a mandatory basis thereafter.

2.2.4 To ensure a multi-faceted review and to garner diverse perspectives within the regulatory framework, the same will be placed before the Corporate Bond and Securitization Advisory Committee (CoBoSAC). Subsequent to the review of CoBoSAC, these recommendations will be placed for public consultation.

2.2.5 Owing to the fact that mandatory applicability of CG provisions to HVDLEs will start from April 01, 2024 and the review process for CG provisions will not be completed by then, it is thought fit to extend the 'comply or explain' period by one more year while SEBI works on completing the review process and prescribe the revised CG provisions as applicable to HVDLEs.

2.3 Proposal:

Accordingly, second proviso to regulation 15(1A) of the LODR Regulations may be modified as follows:

“....

Provided further that these provisions shall be applicable to a 'high value debt listed entity' on a 'comply or explain' basis until March 31, 2025 and on a mandatory basis thereafter.

...

Explanation (3) - 'Comply or explain' for the purpose of the second proviso to sub-regulation (1A) of regulation 15 shall mean that the entity shall endeavour to comply with the provisions and achieve full compliance by March 31, 2025. In case the entity is not able to achieve full compliance with the provisions, till such time, it shall explain the reasons for such non-compliance/ partial compliance and the steps initiated to achieve full compliance in the quarterly compliance report filed under clause (a), sub-regulation (2) of regulation 27 of these regulations.”

2.4 The Board is requested to consider and approve the proposals as in the Memorandum and authorize the Chairperson to make consequential and incidental changes and take necessary steps to give effect to the decisions of the Board.