THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992

1. ESTABLISHMENT OF THE SECURITIES AND EXCHANGE BOARD OF INDIA

a. Establishment and incorporation of Board [Section 3]
SEBI (hereinafter called ‘the Board’) has been established as:-

- a body corporate
- having perpetual succession and a common seal,
- with powers to acquire, hold and dispose of property, both movable and immovable, and
- to contract as also to sue or be sued by the name of SEBI.
- The head office of the Board shall be at Mumbai.

Further the Board may establish offices at other places in India.

b. Management of the Board [Section 4] The SEBI board is managed by its members (appointed by the Central Government), consists of following:

The Chairman and the 5 other members as referred in the section, shall be persons of ability, integrity and standing who have shown capacity in dealing with problems relating to securities market or have special knowledge or experience of law, finance, economics, accountancy, administration or in any other discipline which, in the opinion of the Central Government, shall be useful to the Board [Section 4(5)].

c. Term of office and conditions of service of Chairman and members of the Board [Section 5]
The term of office and other conditions of service of Chairman and other Members of the Board as appointed in section 4(1)(d) shall be such as may be prescribed by rules made under the Act.

d. Right to termination: The Central Government will have the right to terminate the services of the Chairman or other members appointed to the Board (other than its own officials or of the Reserve Bank on the Board) at any time before the expiry of their tenure- by giving not less than three months' notice in writing or three months' salary and allowance in lieu thereof.

The Chairman and other members shall have the right to relinquish office at any time before the expiry of their tenure by giving a notice of three months in writing to the Central Government.

e. Term of office: As per the rules framed in this regard, the Chairman and Whole time Members may hold office for a period of 5 years subject to the maximum age limit of
f. **Removal of Members of the Board** [Section 6]
The Central Government shall have the power to remove a member or the Chairman appointed to the Board, if he:

- at any time has been adjudicated as insolvent;
- has been declared by a competent court to be of unsound mind;
- has been convicted of an offence which in the opinion of the Central Government, involves a moral turpitude.
- has in the opinion of the Central Government so abused his position as to render his continuance in office detrimental to the public interest.

Before removing a member or the Chairman, he will be given a reasonable opportunity of being heard in the matter.

g. **Meetings of the Board** [Section 7]
The Board shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings (including quorum at such meetings) as may be provided by regulations made under Section 30 of the Act.

In the absence of the Chairman: If for any reason, Chairman is unable to attend a meeting, any member chosen by the members present from amongst themselves shall preside over the meeting.

h. **Decision by majority vote**:
All questions which come up before any meeting shall be decided by majority vote of the members present and the Chairman or the presiding member will have a second or casting vote, in the event of equality of votes.

i. **Member not to participate in meetings in certain cases** [Section 7A]
Any member—
- who is a director of a company, and
- who as such director has any indirect pecuniary interest in any matter coming up for consideration at a meeting of the Board,
shall, disclose (as soon as possible after relevant circumstances have come to his knowledge) the nature of his interest at such meeting and such disclosure shall be recorded in the proceedings of the Board, and the member shall not take any part in any deliberation or decision of the Board with respect to that matter.

j. **Vacancies, etc., not to invalidate proceedings of the Board** [Section 8]
Any vacancy in the Board shall not invalidate any of the acts or proceeding of the Board. Similarly, the following reason shall not invalidate any act or proceeding of the Board i.e. any defect in the constitution of the Board.
ii. in the appointment of any person or member of the Board

iii. any irregularity in the procedure of the Board not affecting the merits of the case

2. **POWERS AND FUNCTIONS OF SEBI [SECTION 11]**

a. Subject to the provisions of this Act, it shall be the duty of the Board to protect the interest of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit.

The measures may provide for:

(a) regulating the business in stock exchanges and any other securities markets;

(b) registering and regulating the working of stock brokers, sub-brokers, share transfer agents, bankers to an issue, trustees of trust deeds, registrars to an issue, merchant bankers, underwriters, portfolio managers, investment advisers and such other intermediaries who may be associated with securities markets in any manner;

(ba) registering and regulating the working of the depositories, participants, custodians of securities, foreign institutional investors, credit rating agencies and such other intermediaries as the Board may, by notification, specify in this behalf.

(c) registering and regulating the working of venture capital funds and collective investment schemes, including mutual funds;

(d) promoting and regulating self-regulatory organisations;

(e) prohibiting fraudulent and unfair trade practices relating to securities markets;

(f) promoting investors' education and training of intermediaries' of securities markets;

(g) prohibiting insider trading in securities;

(h) regulating substantial acquisition of shares and take-over of companies;

(i) calling for information from, undertaking inspection, conducting inquiries and audits of the stock exchanges, mutual funds, other persons associated with securities market, intermediaries and self-regulatory organizations in the securities market.

(ia) calling for information and records from any person including any bank or any other authority or board or corporation established or constituted by or under any Central or State Act which, in the opinion of the Board, shall be relevant to any investigation or inquiry by the Board in respect of any transaction in securities;

(ib) calling for information from, or furnishing information to, other authorities, whether in India or outside India, having functions similar to those of the Board, in the matters relating to the prevention or detection of violations in respect of securities laws, subject to the provisions of other laws for the time being in force in this regard:

Provided that the Board, for the purpose of furnishing any information to any authority outside India, may enter into an arrangement or agreement or understanding.
with such authority with the prior approval of the Central Government;

(j) performing such functions and exercising such powers under the provisions of the Securities Contracts (Regulation) Act, 1956, as may be delegated to it by the Central Government.

(k) levying fees or other charges for carrying out the purposes of this section.

(l) conducting research for the above purposes;

(la) calling from or furnishing to any such agencies, as may be specified by the Board, such information as may be considered necessary by it for the efficient discharge of its functions.

(m) performing such other functions as may be prescribed.

b. Power with respect to inspection of books and Documents: Further, the Board may take measures to undertake inspection of any book, or register, or other document or record of any listed public company or a public company which intends to get its securities listed on any recognised stock exchange where the Board has reasonable grounds to believe that such company has been indulging in insider trading or fraudulent and unfair trade practices relating to securities market.

c. Passing of an order by an Board: The Board may, by an order, for reasons to be recorded in writing, in the interests of investors or securities market, take any of the following measures, either pending investigation or inquiry or on completion of such investigation or inquiry, namely:

(a) suspend the trading of any security in a recognised stock exchange;

(b) restrain persons from accessing the securities market and prohibit any person associated with securities market to buy, sell or deal in securities;

(c) suspend any office-bearer of any stock exchange or self-regulatory organization from holding such position;

(d) impound and retain the proceeds or securities in respect of any transaction which is under investigation;

(e) attach, for a period not exceeding ninety days, bank accounts or other property of any intermediary or any person associated with the securities market in any manner involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder:

Provided that the Board shall, within 90 days of the said attachment, obtain confirmation of the said attachment from the Special Court, established under section
26A, having jurisdiction and on such confirmation, such attachment shall continue during the pendency of the aforesaid proceedings and on conclusion of the said proceedings, the provisions of section 28A shall apply.

Provided further that only property, bank account or accounts or any transaction entered therein, so far as it relates to the proceeds actually involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder shall be allowed to be attached.

(f) direct any intermediary or any person associated with the securities market in any manner not to dispose of or alienate an asset forming part of any transaction which is under investigation.

The amount disgorged, pursuant to a direction issued, under the SEBI Act or the Securities Contracts (Regulation) Act, 1956 or the Depositories Act, 1996, as the case may be-

- shall be credited to the Investor Protection and Education Fund (IPEF) established by the Board, and
- such amount shall be utilised by the Board in accordance with the regulations made under this Act”.

Provided that the Board may take any of the measures specified in clause (d) or clause (e) or clause (f), in respect of any listed public company or a public company (not being intermediaries referred to in section 12) which intends to get its securities listed on any recognised stock exchange where the Board has reasonable grounds to believe that such company has been indulging in insider trading or fraudulent and unfair trade practices relating to securities market:

Provided further that the Board shall, either before or after passing such orders, give an opportunity of hearing to such intermediaries or persons concerned.

d. Penalty: The Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.

Consequences: The amount disgorged, pursuant to a direction issued, under various Acts i.e., section 11B of this Act or section 12A of the Securities Contracts (Regulation) Act, 1956 or section 19 of the Depositories Act, 1996 or under a settlement made under section 15JB or section 23JA of the Securities Contracts (Regulation) Act, 1956 or section 19-IA of the Depositories Act, 1996, as the case may be, shall be credited to the Investor Protection and Education Fund established by the Board and such amount shall be utilized by the Board in accordance with the regulations made under this Act.

Example 1: The Securities and Exchange Board of India (SEBI) has received certain
information and complaints which have led it to believe that MS DA Brokers Ltd, a registered Market Intermediary has violated multiple provisions of the SEBI regulations. In such a case, SEBI may, at any time by order in writing, direct any person (hereafter in this section referred to as the Investigating Authority) specified in the order to investigate the affairs of such intermediary or persons associated with the securities market and to report thereon to the Board. Therefore, an order for an investigation into the affairs of the broker may be initiated.

e. Additional functions of SEBI under the Securities Contracts (Regulation) Act, 1956: The Securities Contracts (Regulation) Act, 1956 which was enacted to prevent undesirable transactions in securities and to regulate the business of securities had given certain powers to the Central Government, under the provisions of that Act. The functions of the Central Government under that Act have been granted to SEBI. These functions are:

(a) Power to call for periodical returns or direct enquiries to be made (Section 6 of SCRA): SEBI will receive from every Recognised Stock Exchange such periodical returns relating to its affairs as may be prescribed by SCRA rules.

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<tr>
<th>Description of Powers</th>
<th>Powers of SEBI</th>
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<tr>
<td>Power to inspect</td>
<td>It shall be open to SEBI to inspect at all reasonable times books of accounts and other documents to be maintained by the Stock Exchanges for periods not exceeding 5 years as may be prescribed in the public interest and in the interest of trade by the Central Government.</td>
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<td>Power of SEBI to call for information/explanation relating to affairs of the stock Exchange.</td>
<td>It shall also be open to SEBI to call upon recognised stock exchanges or any member thereof to furnish in writing such information or explanation relating to the affairs of the stock Exchange. or of the member in relation to the stock exchange as may be required by SEBI in the interest of trade or in the public interest.</td>
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<td>SEBI to appoint persons to make an inquiry</td>
<td>It shall also be open to SEBI to appoint, by order in writing, one or more persons to make an inquiry in the prescribed manner in relation to the affairs of the governing body of stock exchange or the affairs of any of the members of the stock exchange in relation to the stock exchange and submit a report of the result of such enquiry to SEBI within the time as, specified in the order. In the case of affairs of any...</td>
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of the members/ of a stock exchange, SEBI can direct the
governing body of such stock exchange to make an inquiry
and submit its report.

SEBI will bound the

every director, manager, secretary or other officer of such
concerned persons to
stock exchange, every member of such stock exchange and
produce documents
every constituent or agent of such member if it is a firm
before himself /other
and every other person or body of persons having dealings
enquiry officer
with any of these persons whether directly or indirectly shall
be bound to produce before SEBI or other enquiry officer, all
books of accounts and other documents in his custody or
power relating to the subject matter of the enquiry. This has
to be done within the time specified and as may be required
by the enquiry authority.

(b) Power to approve the bye-laws of stock exchanges: Section 9 of SCRA provides that any
recognised stock exchange may make bye-laws for the regulation and control of contracts
with the previous approval of SEBI. Such bye-laws may provide for submission of periodical
settlements carried out by clearing houses to SEBI or publication of such particulars by
clearing houses subject to SEBI's directions. Such bye-laws have to be published for public
comments and after approval by SEBI shall have to be published in the Gazette of India
and also in the Official Gazette of the State unless SEBI, by written order with reasons
dispense with the condition of previous publication.

(c) Power of SEBI to make or amend bye-laws of recognised stock exchanges (Section 10, SCRA):
SEBI may either on a request in writing received by it in this behalf from the governing body
of a recognised stock exchange or on its own motion make bye-laws on matters specified in
Section 9 of SCRA or amend any bye-laws made by such stock exchange. SEBI will have to
be satisfied, after consultation with the governing body of the stock exchange, that it is
necessary or expedient to make or amend the bye-laws and record its reasons also.

(d) Licensing of dealers in securities in certain areas (Section 17 SCRA): SEBI has been empowered
to grant a license to any person for the business of dealing in securities in any State or area
to which Section 13 of SCRA has not been declared to apply. Section 13 of SCRA deals with
contracts in notified areas to be illegal in certain circumstances.

(e) Public Issue and listing of securities referred to in section 2 (h) (ie) of SCRA: As per section
17A, securities of the nature referred to in section 2 (h) (ie) shall be offered to the public or
listed on any stock exchange unless the issuer fulfills eligibility criteria and complies with
other requirements as may be specified by SEBI by regulations.

(f) **Power to delegate:** Section 29A of SCRA provides that the Central Government may, by order published in the Official Gazette, direct that the powers exercisable by it under any provision of the SCRA shall, in relation to such matters and subject to such conditions, if any as may be specified in the order, be exercisable also by SEBI or the Reserve Bank of India.

**More Powers for SEBI:** Certain additional powers with regard to certain provisions under the Companies Act, 2013, related to issue and transfer of securities and non-payment of dividend, in the case of listed public companies intending to get their securities listed on any recognised stock exchange, shall be administered by SEBI.

### 3. BOARD TO REGULATE OR PROHIBIT ISSUE OF PROSPECTUS, OFFER DOCUMENT OR ADVERTISEMENT SOLICITING MONEY FOR ISSUE OF SECURITIES [SECTION 11A]

- As per the section, the Board may, for the protection of investors,—
  - Specify, by regulations— the matters relating to issue of capital, transfer of securities and other matters incidental thereto; and the manner in which such matters shall be disclosed by the companies; by general or special orders— prohibit any company from issuing prospectus, any offer document, or advertisement soliciting money from the public for the issue of securities; specify the conditions subject to which the prospectus, such offer document or advertisement, if not prohibited, may be issued.

The Board may specify the requirements for listing and transfer of securities and other matters incidental thereto.

### 4. COLLECTIVE INVESTMENT SCHEME [SECTION 11AA]

Any scheme or arrangement which satisfies the conditions referred to in sub-section (2) or sub-section (2A) shall be a collective investment scheme.

Provided that any pooling of funds under any scheme or arrangement, which is not registered with the Board or is not covered under sub-section (3), involving a corpus amount of 100 crore rupees or more shall be deemed to be a collective investment scheme.

**Requisite conditions:** Any scheme or arrangement made or offered by any person under which,—

(i) the contributions, or payments made by the investors, by whatever name called, are pooled and utilized for the purposes of the scheme or arrangement;

(ii) the contributions or payments are made to such scheme or arrangement by the investors with a view to receive profits, income, produce or property, whether movable or immovable, from such scheme or arrangement;
(iii) the property, contribution or investment forming part of scheme or arrangement, whether identifiable or not, is managed on behalf of the investors;

(iv) the investors do not have day-to-day control over the management and operation of the scheme or arrangement. [Sub-section 2]

(v) Any scheme or arrangement made or offered by any person satisfying the conditions as may be specified in accordance with the regulations made under this Act [sub-section (2A)].

Exceptions: Following scheme or arrangement shall not be a collective investment scheme-

(i) made or offered by a co-operative society registered under the Co-operative Societies Act, 1912 or a society being a society registered or deemed to be registered under any law relating to co-operative societies for the time being in force in any State;

(ii) under which deposits are accepted by non-banking financial companies as defined in clause (f) of section 45-I of the Reserve Bank of India Act, 1934;

(iii) being a contract of insurance to which the Insurance Act, 1938 applies;

(iv) providing for any Scheme, Pension Scheme or the Insurance Scheme framed under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952;

(v) under which deposits are accepted under the Companies Act, 2013

(vi) under which deposits are accepted by a company declared as a Nidhi or a mutual benefit society under the Companies Act, 2013;

(vii) falling within the meaning of Chit business as defined in clause (d) of section 2 of the Chit Fund Act, 1982;

(viii) under which contributions made are in the nature of subscription to a mutual fund;

(ix) such other scheme or arrangement which the Central Government may, in consultation with the Board, notify

5. POWER TO ISSUE DIRECTIONS AND LEVY PENALTY [SECTION 11B]

Save as otherwise provided in Section 11, if after making or causing to be made an enquiry, the Board is satisfied that it is necessary:

• in the interest of investors, or orderly development of securities market; or

• to prevent the affairs of any intermediary or other persons referred to in Section 12 being conducted in a manner detrimental to interest of investors or securities market; or

• to secure the proper management of any such intermediary or persons,
Board may issue directions to any person or class of persons referred to in Section 12, or associated with the securities market; in the interests of investors in securities, and the securities market. Levy of Penalty: The Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.

Explanation.—For the removal of doubts, it is hereby declared that the power to issue directions under this section shall include and always be deemed to have been included the power to direct any person, who made profit or averted loss by indulging in any transaction or activity in contravention of the provisions of this Act or regulations made thereunder, to disgorge an amount equivalent to the wrongful gain made or loss averted by such contravention.

6. INVESTIGATION [SECTION 11C]

(1) Grounds for issue of an order of investigation: Where the Board has reasonable ground to believe that—

(a) the transactions in securities are being dealt with in a manner detrimental to the investors or the securities market; or

(b) any intermediary or any person associated with the securities market has violated any of the provisions of this Act or the rules or the regulations made or directions issued by the Board thereunder.

It may, at any time by order in writing, direct any person (hereafter in this section referred to as the Investigating Authority) specified in the order to investigate the affairs of such intermediary or persons associated with the securities market and to report thereon to the Board.

(2) Furnishing of relevant documents to the investigating authority: It shall be the duty of—

• every manager, managing director, officer and other employee of the company and every
intermediary referred to in section 12, or

• every person associated with the securities market to preserve, and
• to produce to the Investigating Authority or any person authorised by it in this behalf, all the books, registers, other documents and record of, or relating to, the company or, as the case may be, of or relating to, the intermediary or such person, which are in their custody or power.

(3) **Period of custody:** The Investigating Authority may keep in its custody any books, registers, other documents and record produced for 6 months and thereafter shall return the same to any intermediary or any person associated with securities market by whom or on whose behalf the books, registers, other documents and record are produced. The Investigating Authority may call for any book, register, other document and record if they are needed again.

If the person on whose behalf the books, registers, other documents and record are produced requires certified copies of the books, registers, other documents and record produced before the Investigating Authority, it shall give certified copies of such books, registers, other documents and record to such person or on whose behalf the books, registers, other documents and record were produced.

(4) **Examination on oath:** Any person, directed to make an investigation, may examine on oath, any manager, managing director, officer and other employee of any intermediary or any person associated with securities market in any manner, in relation to the affairs of his business and may administer an oath accordingly and for that purpose may require any of those persons to appear before it personally.

(5) **On failure:** If any person fails without reasonable cause or refuses—

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<th>Failure in compliance</th>
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| (a) to produce to the Investigating Authority or any person authorised by it in this behalf any book, register, other document and record which is his duty to produce; or | Person shall be punishable with—
| (b) to furnish any information which is his duty to furnish; or | • imprisonment for a term which may extend to 1 year, or
| (c) to appear before the Investigating Authority personally or to answer any question which is put to him by the Investigating Authority in pursuance of that sub-section; or | • with fine, which may extend to 1 crore
| | • also with a further fine which may extend to 5 lakh rupees for every day after the first default, during which the failure or refusal continues. |

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(d) to sign the notes of any examination.

(6) Notes of examination to be used as examination: Notes of any examination shall be taken down in writing and shall be read over to, or by, and signed by, the person examined, and may thereafter be used in evidence against him.

(7) Impounding of documents: Where in the course of investigation, the Investigating Authority has reasonable ground to believe that the books, registers, other documents and record of, or relating to, any intermediary or any person associated with securities market in any manner, may be destroyed, mutilated, altered, falsified or secreted, the Investigating Authority may make an application to the Magistrate or Judge of such designated court in Mumbai, as may be notified by the Central Government for an order for the seizure of such books, registers, other documents and record.

(8) Demand of services of other officers: The authorized officer may requisition the services of any police officer or any officer of the Central Government, or of both, to assist him for all or any of the purposes as specified above with respect to impounding of documents and it shall be the duty of every such officer to comply with such requisition.

(9) Order of court: After considering the application and hearing the Investigating Authority, if necessary, the Magistrate or Judge of the Designated Court may, by order, authorise the Investigating Authority –

(a) to enter, with such assistance, as may be required, the place or places where such books, registers, other documents and record are kept;

(b) to search that place or those places in the manner specified in the order; and

(c) to seize books, registers, other documents and record, it considers necessary for the purposes of the investigation:

Exemptions: Provided that the Magistrate or Judge of the Designated Court shall not authorise seizure of books, registers, other documents and record, of any listed public company or a public company (not being the intermediaries specified under section 12) which intends to get its securities listed on any recognised stock exchange unless such company indulges in insider trading or market manipulation.

(10) Impounded documents will remain in the custody of investigating authority: The Investigating Authority shall keep in its custody the books, registers, other documents and record seized under this section for such period not later than the conclusion of the investigation as it considers necessary and thereafter shall return the same to the company or the other body corporate, or, as the case may be, to the managing director or the manager or any other person, from whose custody or power they were seized and inform the
Magistrate or Judge of the Designated Court of such return:

Provided that the Investigating Authority may, before returning such books, registers, other documents and record as aforesaid, place identification marks on them or any part thereof.

(11) Every search or seizure made under this section shall be carried out in accordance with the provisions of the Code of Criminal Procedure, 1973 (2 of 1974) relating to searches or seizures made under that Code.

7. **CEASE AND DESIST PROCEEDINGS [SECTION 11D]**

If the Board finds, after causing an inquiry to be made, that any person has violated, or is likely to violate, any provisions of this Act, or any rules or regulations made thereunder, it may pass an order requiring such person to cease and desist from committing or causing such violation.

Provided that the Board shall not pass such order in respect of any listed public company or a public company (other than the intermediaries specified under section 12) which intends to get its securities listed on any recognised stock exchange unless the Board has reasonable grounds to believe that such company has indulged in insider trading or market manipulation."

8. **REGISTRATION CERTIFICATE [SECTION 12]**

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<th>Provision related to</th>
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<tr>
<td>Persons who are authorized to buy, sell or deal in securities</td>
<td>Stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act.</td>
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<td>Board may by notification specify the persons who shall buy or sell or deal in securities</td>
<td>Depository, participant, custodian of securities, foreign institutional investor, credit rating agency, or any other intermediary associated with the securities market as the Board may by notification in this behalf specify, shall buy or sell or deal in securities in accordance with the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act.</td>
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<td>Person who shall sponsor or</td>
<td>Shall be, who obtains certificate of registration from the</td>
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<td>Prohibition on person</td>
<td>From performing following activities</td>
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<td>No person shall directly or indirectly</td>
<td>use or employ in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange,</td>
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<td>• any manipulative or deceptive device; or</td>
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<td>• contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;</td>
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<td>employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;</td>
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<td>engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;</td>
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<td>engage in insider trading;</td>
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<td>• deal in securities while in possession of material or non-public information or</td>
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| | • communicate such material or non-public information to any other person,
• in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder;

• acquire control of any company or securities more than the percentage of equity share capital of a company

• whose securities are listed or proposed to be listed on a recognised stock exchange in contravention of the regulations made under this Act.

10. FINANCE, ACCOUNTS AND AUDIT

Grants by the Central Government [Section 13]
The Central Government may, after due appropriation made by Parliament by law in this behalf, make to the Board grants of such sums of money as that Government may think fit for being utilized for the purposes of this Act.

Fund [Section 14]
(1) There shall be constituted a Fund to be called the Securities and Exchange Board of India General Fund and there shall be credited thereto—

• all grants, fees and charges received by the Board under this Act;

• all sums received by the Board from such other sources as may be decided upon by the Central Government.

(2) The Fund shall be applied for meeting—

• the salaries, allowances and other remuneration of the members, officers and other employees of the Board;

• the expenses of the Board in the discharge of its functions under section 11;

• the expenses on objects and for purposes authorised by this Act.

Accounts and audit [Section 15]
(1) Preparation of annual financial statement of Board in consultation with CAG of India: The Board shall maintain proper accounts and other relevant records and prepare an annual statement of accounts in such form as may be prescribed by the Central Government in consultation with the Comptroller and Auditor-General of India.

(2) Audit of accounts of Board: The accounts of the Board shall be audited by the Comptroller and Auditor-General of India at such intervals as may be specified by him and any expenditure incurred in connection with such audit shall be payable by the Board to the Comptroller and Auditor-General of India.
(3) **Right and Privileges:** The Comptroller and Auditor-General of India and any other person appointed by him in connection with the audit of the accounts of the Board shall have the same rights and privileges and authority in connection with such audit as the Comptroller and Auditor-General generally has in connection with the audit of the Government accounts and, in particular, shall have the right to demand the production of books, accounts, connected vouchers and other documents and papers and to inspect any of the offices of the Board.

(4) **Certified Accounts and Audit reports to be forwarded to the Central Government:** The accounts of the Board as certified by the Comptroller and Auditor-General of India or any other person appointed by him in this behalf together with the audit report thereon shall be forwarded annually to the Central Government and that Government shall cause the same to be laid before each House of Parliament.

11. **PENALTIES AND ADJUDICATION**

a. **Penalty for failure to furnish information, return, etc. [Section 15A]**

If any person, who is required under this Act or any rules or regulations made thereunder, to furnish any document, return or report to the Board, fails to furnish the same or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents, he shall be liable to a penalty which shall not be less than 1 lakh rupees but which may extend to 1 lakh rupees for each day during which such failure continues subject to a maximum of 1 crore rupees.

b. **Penalty for failure by any person to enter into agreement with clients [Section 15B]**

If any person, who is registered as an intermediary and is required under this Act or any rules or regulations made thereunder to enter into an agreement with his client, fails to enter into...
such agreement,

- he shall be liable to a penalty which shall not be less than 1 lakh rupees but which may extend to 1 lakh rupees for each day during which such failure continues subject to a maximum of 1 crore rupees.

c. Penalty for failure to redress investors’ grievances [Section 15C]

If any listed company or any person who is registered as an intermediary, after having been called upon by the Board in writing, including by any means of electronic communication, to redress the grievances of investors, fails to redress such grievances within the time specified by the Board, such company or intermediary shall be liable to a penalty which shall not be less than 1 lakh rupees but which may extend to 1 lakh rupees for each day during which such failure continues subject to a maximum of 1 crore rupees.

Example 2: Samay International Limited a public listed company has been called upon by the SEBI in writing to redress the grievances of investor in specified time. The company fails to redress the same within the time specified by the board.

Now as per Section 15C of the SEBI Act, 1992, company is liable to a penalty which shall not be less than 1 lakh rupees but which may extend to 1 lakh rupees for each day during which such failure continues subject to a maximum of 1 crore rupees.

d. Penalty for certain defaults in case of mutual funds [Section 15D]

<table>
<thead>
<tr>
<th>Person liable</th>
<th>For defaults</th>
<th>Punishments levied</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>required under this Act or any rules or regulations made thereunder to obtain a certificate of registration from the Board for sponsoring or carrying on any collective investment scheme, including mutual funds, sponsors or carries on any collective investment scheme, including mutual funds, without obtaining such certificate of registration</td>
<td>he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which he sponsors or carries on any such collective investment scheme including mutual funds subject to a maximum of one crore rupees;</td>
</tr>
<tr>
<td></td>
<td>registered with the Board as a collective investment scheme, including mutual funds, for</td>
<td>he shall be liable to a penalty which shall not be less than one lakh rupees but which</td>
</tr>
</tbody>
</table>
If any person, who is—

| sponsoring or carrying on any investment scheme, fails to comply with the terms and conditions of certificate of registration | may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees; |
| registered with the Board as a collective investment scheme, including mutual funds, fails to make an application for listing of its schemes as provided for in the regulations governing such listing | he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees; |
| registered as a collective investment scheme, including mutual funds, fails to dispatch unit certificates of any scheme in the manner provided in the regulation governing such dispatch | he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees; |
| registered as a collective investment scheme, including mutual funds, fails to refund the application monies paid by the investors within the period specified in the regulations | he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees; |
| registered as a collective investment scheme, including mutual funds, fails to invest money collected by such collective investment schemes in the manner or within the period specified in the regulations | he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees. |
e. Penalty for failure to observe rules and regulations by an asset management company [Section 15E]

Where any asset management company of a mutual fund registered under this Act, fails to comply with any of the regulations providing for restrictions on the activities of the asset management companies,

- such asset management company shall be liable to a penalty which shall not be less than 1 lakh rupees but which may extend to 1 lakh rupees for each day during which such failure continues subject to a maximum of 1 crore rupees.

f. Penalty for default in case of alternative investment funds, infrastructure investment trusts and real estate investment trusts [Section 15 EA]

Where any person fails to comply with the regulations made by the Board in respect of:

✓ alternative investment funds,
✓ infrastructure investment trusts, and
✓ real estate investment trusts or
✓ fails to comply with the directions issued by the Board,

- such person shall be liable to penalty which shall not be less than 1 lakh rupees but which may extend to 1 lakh rupees for each day during which such failure continues subject to a maximum of 1 crore rupees or three times the amount of gains made out of such failure, whichever is higher.

g. Penalty for default in case of investment adviser and research analyst [Section 15EB]

Where an investment adviser or a research analyst fails to comply with the regulations made by the Board or directions issued by the Board,

- such investment adviser or research analyst shall be liable to penalty which shall not be less than 1 lakh rupees but which may extend to 1 lakh rupees for each day during which such failure continues subject to a maximum of 1 crore rupees.

h. Penalty for default in case of stock brokers [Section 15 F]

<p>| Person, registered as a stockbroker | fails to issue contract notes in the form and manner specified by the stock exchange of which such broker is a member, | he shall be liable to a penalty of 1 lakh or more but which may extend to 1 crore rupees for which the contract note was required to be issued by that broker. |</p>
<table>
<thead>
<tr>
<th>fails to deliver</th>
<th>any security or fails to make payment of the amount <strong>due to the investor</strong> in the manner within the period specified in the regulations</th>
<th>he shall be liable to a penalty of more than 1 lakh but which may extend to 1 lakh rupees for each day during such failures continues subject to a <strong>maximum of 1 crore rupees</strong>.</th>
</tr>
</thead>
<tbody>
<tr>
<td>charges</td>
<td>an amount of brokerage which is in excess of the brokerage specified in the regulations</td>
<td>he shall be liable for more than 1 lakh but which may extend to 5 times the amount of brokerage charged in excess of the specified brokerage, whichever is higher.</td>
</tr>
</tbody>
</table>

**Example 3:** Arihant Capital Limited is working as a stock broker member of national stock exchange (NSE). Company has issued contract notes for their clients. Mr. Wahid complained to SEBI that the company has failed to issue the contract note in the form & manner specified by the NSE.

In the given case, SEBI shall be liable to impose penalty of more than Rs. 1 lakh but which may extend to 1 crore rupees for which the contract note was required to be issued.

i. **Penalty for insider trading [Section 15G]**

Any insider shall be liable to a penalty of more than 10 lakh rupees extending upto 25 crore rupees / 3times the amount of profits made out of insider trading, whichever is higher, who-

- either on his own behalf or on behalf of any other person
- communicates any unpublished price-sensitive information to any person, with or without his request for such information
- counsels, or procures for any other person to deal in any securities of any body corporate on the basis of unpublished price-sensitive information
- deals in securities of a body corporate listed on any stock exchange on the basis of any unpublished price-sensitive information; or
- except as required in the ordinary course of business or under any law, or

**Example 4:** Mr. Akash Jain filled a complain to SEBI that Mr. Nimish Trivedi, a chief financial officer of Hygiene Foods Limited (listed at NSE), has **passed** on an information to his close relative
regarding confidential deal of the company which will take place soon. The intention of Mr. Nimish Trivedi was to get profit from share trading.

On the basis of said finding, SEBI shall be liable to impose a penalty of more than 10 lakh rupees extending upto 25 crore rupees / 3times the amount of profits made out of insider trading, whichever is higher against Mr. Nimish Trivedi

j. Penalty for non-disclosure of acquisition of shares and takeovers [Section 15 H]

If any person, who is required under this Act or any rules or regulations made thereunder, fails to,—

- disclose the aggregate of his shareholding in the body corporate before he acquires any shares of that body corporate, or
- make a public announcement to acquire shares at a minimum price, or
- make a public offer by sending letter of offer to the shareholders of the concerned company, or
- make payment of consideration to the shareholders who sold their shares pursuant to letter of offer,

He shall be liable to a penalty which shall not be less than 10 lakh rupees but which may extend to 25 crores rupees or 3 times the amount of profits made out of such failure, whichever is higher.

k. Penalty for fraudulent and unfair trade practices [Section 15HA]

If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall—

- not be less than 5 lakh rupees but
- which may extend to 25 crore rupees or

\[\text{Whichever is higher} \times 3\] times the amount of profits made out of such practices.

l. Penalty for alteration destruction, etc. of records and failure to protect the electronic database of Board [15HAA]

Any person, who—

(a) knowingly alters, destroys, mutilates, conceals, falsifies, or makes a false entry in any information, record, document (including electronic records), which is required under this Act or any rules or regulations made thereunder, so as to impede, obstruct, or influence the investigation, inquiry, audit, inspection or proper administration of any matter within the jurisdiction of the Board
Explanation—For the purposes of this clause, a person shall be deemed to have altered, concealed or destroyed such information, record or document, in case he knowingly fails to immediately report the matter to the Board or fails to preserve the same till such information continues to be relevant to any investigation, inquiry, audit, inspection or proceeding, which may be initiated by the Board and conclusion thereof;

(b) without being authorised to do so, access or tries to access, or denies of access or modifies access parameters, to the regulatory data in the database;

(c) without being authorised to do so, downloads, extracts, copies, or reproduces in any form the regulatory data maintained in the system database;

(d) knowingly introduces any computer virus or other computer contaminant into the system database and brings out a trading halt;

(e) without authorisation disrupts the functioning of system database;

(f) knowingly damages, destroys, deletes, alters, diminishes in value or utility, or affects by any means, the regulatory data in the system database; or

(g) knowingly provides any assistance to or causes any other person to do any of the acts specified in clauses (a) to (f),

shall be liable to a penalty which shall not be less than 1 lakh rupees but which may extend to 10 crore rupees or 3 times the amount of profits made out of such act, whichever is higher.

Explanation.—In this section, the expressions "computer contaminant", "computer virus" and "damage" shall have the meanings respectively assigned to them under section 43 of the Information Technology Act, 2000.

m. Penalty for contravention where no separate penalty has been provided [Section 15HB]

Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than 1 lakh rupees but which may extend to 1 crore rupees.

n. Power to adjudicate [Section 15-I]

<table>
<thead>
<tr>
<th>On the matters related to</th>
<th>Power to adjudicate</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the purpose of adjudging under sections 15A, 15B, 15C, 15D, 15E, 11[15EA, 15EB], 15F, 15G, 15H, 15HA and 15HB</td>
<td>Board 12[may] appoint any officer not below the rank of a Division Chief to be an adjudicating officer for holding an inquiry in the prescribed manner after giving any person concerned a reasonable</td>
</tr>
<tr>
<td>Opportunity of being heard for the purpose of imposing any penalty.</td>
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<td>On holding of an inquiry</td>
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<tr>
<td>The adjudicating officer shall have power to summon and enforce the attendance of any person acquainted with the facts and circumstances of the case to give evidence or to produce any document which in the opinion of the adjudicating officer, may be useful for or relevant to the subject-matter of the inquiry and if, on such inquiry, he is satisfied that the person has failed to comply with the provisions of any of the sections specified in subsection (1), he may impose such penalty as he thinks fit in accordance with the provisions of any of those sections.</td>
<td></td>
</tr>
<tr>
<td>Order passed by adjudicating officer is not justified</td>
<td></td>
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<tr>
<td>The Board may call for and examine the record of any proceedings and if it considers that the order passed by the adjudicating officer is erroneous to the extent it is not in the interests of the securities market, it may, after making or causing to be made such inquiry as it deems necessary, pass an order enhancing the quantum of penalty, if the circumstances of the case so justify. Provided that no such order shall be passed unless the person concerned has been given an opportunity of being heard in the matter. Limitation period: Provided further that nothing contained in this sub-section shall be applicable after an expiry of a period of 3 months from the date of the order passed by the adjudicating officer or disposal of the appeal under section 15T, whichever is earlier.</td>
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### o. Factors to be taken into account while adjudging quantum of penalty [Section 15J]

While adjudging quantum of penalty under section 15-I or section 11 or section 11B, the Board or the adjudicating officer, shall have due regard to the following factors, namely:

- the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default.
- the amount of loss caused to an investor or group of investors as a result of the default.
- the repetitive nature of the default.
It is clarified here that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of sections 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.

12. **ESTABLISHMENT, JURISDICTION, AUTHORITY AND PROCEDURE OF SECURITIES APPELLATE TRIBUNAL (SAT)**

   a. **Establishment of Securities Appellate Tribunals [Section 15K]**
      
      (1) The Central Government shall, by notification, establish a Tribunal to be known as the Securities Appellate Tribunal to exercise the jurisdiction, powers and authority conferred on it by or under this Act or any other law for the time being in force.
      
      (2) The Central Government shall also specify in the notification referred to in sub-section (1), the matters and places in relation to which the Securities Appellate Tribunal may exercise jurisdiction.

   b. **Composition of Securities Appellate Tribunal [Section 15L]**
      
      (1) The Securities Appellate Tribunal shall consist of a Presiding Officer and such number of Judicial Members and Technical Members as the Central Government may determine, by notification, to exercise the powers and discharge the functions conferred on the Securities Appellate Tribunal under this Act or any other law for the time being in force.
      
      (2) Subject to the provisions of this Act,—

         (a) the jurisdiction of the Securities Appellate Tribunal may be exercised by Benches thereof;
         
         (b) a Bench may be constituted by the Presiding Officer of the Securities Appellate Tribunal with two or more Judicial or Technical Members as he may deem fit:

            Provided that every Bench constituted shall include at least one Judicial Member and one Technical Member;

         (c) the Benches of the Securities Appellate Tribunal shall ordinarily sit at Mumbai and may also sit at such other places as the Central Government may, in consultation with the Presiding Officer, notify.

      (3) The Presiding Officer may transfer a Judicial Member or a Technical Member of the Securities Appellate Tribunal from one Bench to another Bench.

   c. **Qualification for appointment as Presiding Officer or Member of Securities Appellate Tribunal [Section 15M]**
      
      A person shall not be qualified for appointment as the Presiding Officer or a Judicial Member or a Technical Member of the Securities Appellate Tribunal, unless he—
(a) is, or has been, a Judge of the Supreme Court or a Chief Justice of a High Court or a Judge of a High Court for at least seven years, in the case of the Presiding Officer; and

(b) is, or has been, a Judge of High Court for at least five years, in the case of a Judicial Member; or

(c) in the case of a Technical Member—

(i) is, or has been, a Secretary or an Additional Secretary in the Ministry or Department of the Central Government or any equivalent post in the Central Government or a State Government; or

(ii) is a person of proven ability, integrity and standing having special knowledge and professional experience, of not less than fifteen years, in financial sector including securities market or pension funds or commodity derivatives or insurance.

d. Appointment of judicial member [Section 15MA]

The Presiding Officer and Judicial Members of the Securities Appellate Tribunal shall be appointed by the Central Government in consultation with the Chief Justice of India or his nominee.

e. Appointment of technical member [Section 15MB]

(1) The Technical Members of the Securities Appellate Tribunal shall be appointed by the Central Government on the recommendation of a Search-cum-Selection Committee consisting of the following, namely—

(a) Presiding Officer, Securities Appellate Tribunal—Chairperson;

(b) Secretary, Department of Economic Affairs—Member;

(c) Secretary, Department of Financial Services—Member; and

(d) Secretary, Legislative Department or Secretary, Department of Legal Affairs—Member

(2) The Secretary, Department of Economic Affairs shall be the Convener of the Search-cum-Selection Committee.

(3) The Search-cum-Selection Committee shall determine its procedure for recommending the names of persons to be appointed under sub-section (1).

f. Validity of appointment of Presiding officer and members of SAT [Section 15MC]

(1) No appointment of the Presiding Officer, a Judicial Member or a Technical Member of the Securities Appellate Tribunal shall be invalid merely by reason of any vacancy or any defect in the constitution of the Search-cum-Selection Committee.

(2) Disqualification of members: A member or part time member of the Board or the Insurance Regulatory and Development Authority or the Pension Fund Regulatory and Development Authority, or any person at senior management level equivalent to the Executive Director in the Board or in such Authorities, shall not be appointed as Presiding Officer or Member of
the Securities Appellate Tribunal, during his service or tenure as such with the Board or with such Authorities, as the case may be, or within 2 years from the date on which he ceases to hold office as such in the Board or in such Authorities.

(3) Effect of holding of office by officer or members on commencement of Finance Act, 2017: The Presiding Officer or such other member of the Securities Appellate Tribunal, holding office on the date of commencement of Part VIII of Chapter VI of the Finance Act, 2017 shall continue to hold office for such term as he was appointed and the other provisions of this Act shall apply to such Presiding Officer or such other member, as if Part VIII of Chapter VI of the Finance Act, 2017 had not been enacted.

g. Tenure of office of Presiding Officer and other Members of Securities Appellate Tribunal [Section 15N]

The Presiding Officer or every Judicial or Technical Member of the Securities Appellate Tribunal shall hold office for a term of 5 years from the date on which he enters upon his office, and shall be eligible for reappointment for another term of maximum 5 years:

Provided that no Presiding Officer or the Judicial or Technical Member shall hold office after he has attained the age of 70 years.

h. Salary and allowances and other terms and conditions of service of Presiding Officers [Section 15-O]

The salary and allowances payable to and the other terms and conditions of service including pension, gratuity and other retirement benefits of the Presiding Officer and other Members of a Securities Appellate Tribunal shall be such as may be prescribed.

Provided that neither the salary and allowances nor the other terms and conditions of service of the Presiding Officer and other Members of a Securities Appellate Tribunal shall be varied to their disadvantage after appointment.

i. Filling up of vacancies [Section 15P]

If, for reason other than temporary absence, any vacancy occurs in the office of the Presiding Officer or any other Member of a Securities Appellate Tribunal-

• then the Central Government shall appoint another person in accordance with the provisions of this Act to fill the vacancy, and

• the proceedings may be continued before the Securities Appellate Tribunal from the stage at which the vacancy is filled.

In the event of occurrence of any vacancy in the office of the Presiding Officer of the Securities Appellate Tribunal by reason of his death, resignation or otherwise, the senior-most Judicial Member of the Securities Appellate Tribunal shall act as the Presiding Officer until the date on which a new Presiding Officer is appointed in accordance with the provisions of this Act. [Section
j. Resignation and removal [section 15Q]

(1) Resignation by notice in writing: The Presiding Officer or any other Member of a Securities Appellate Tribunal may, by notice in writing under his hand addressed to the Central Government, resign his office.

Provided that the Presiding Officer or any other Member shall, unless he is permitted by the Central Government to relinquish his office sooner, continue to hold office—

- until the expiry of 3 months from the date of receipt of such notice or
- until a person duly appointed as his successor enters upon his office or
- until the expiry of his term of office,

(2) Removal of Presiding officer/Judicial member/ Technical member: The Central Government may, after an inquiry made by the Judge of the Supreme Court, remove the Presiding Officer or Judicial Member or Technical Member of the Securities Appellate Tribunal, if he—

(a) is, or at any time has been adjudged as an insolvent;
(b) has become physically or mentally incapable of acting as the Presiding Officer, Judicial or Technical Member;
(c) has been convicted of any offence which, in the opinion of the Central Government, involves moral turpitude;
(d) has, in the opinion of the Central Government, so abused his position as to render his continuation in office detrimental to the public interest; or
(e) has acquired such financial interest or other interest as is likely to affect prejudicially his functions as the Presiding Officer or Judicial or Technical Member:

Provided that he shall not be removed from office under clauses (d) and (e), unless he has been given a reasonable opportunity of being heard in the matter.

(3) Central Government authorized to regulate the procedure of investigation: The Central Government may, by rules, regulate the procedure for the investigation of misbehavior or incapacity of the Presiding Officer or any other Member.

k. Appeal to the Securities Appellate Tribunal [Section 15T]

(1) Who may file an appeal?

Any person aggrieved by an order—
Any person aggrieved by an order of SEBI or Adjudicating Officer or Insurance Regulatory and Development Authority or the Pension Fund Regulatory and Development Authority, may prefer an appeal to a Securities Appellate Tribunal having jurisdiction in the matter.

(2) Time period for filing of an appeal: Every appeal shall be filed within a period of 45 days from the date on which a copy of the order made by the Board or the Adjudicating Officer or the Insurance Regulatory and Development Authority or the Pension Fund Regulatory and Development Authority, as the case may be, is received by him and it shall be in such form and be accompanied by such fee as may be prescribed:

Extension: Provided that the Securities Appellate Tribunal may entertain an appeal after the expiry of the said period of 45 days if it is satisfied that there was sufficient cause for not filing it within that period.

(3) Order passed by SAT: On receipt of an appeal, the Securities Appellate Tribunal may, after giving the parties to the appeal, an opportunity of being heard, pass such orders thereon as it thinks fit, confirming, modifying or setting aside the order appealed against.

(4) Forwarding of copies of order to the parties: The Securities Appellate Tribunal shall send a copy of every order made by it to the Board, or the Insurance Regulatory and Development Authority or the Pension Fund Regulatory and Development Authority, as the case may be, the parties to the appeal and to the concerned Adjudicating Officer.

(5) Time period for disposal of appeal: The appeal filed before the Securities Appellate Tribunal shall be dealt with by it as expeditiously as possible and endeavor shall be made by it to dispose of the appeal finally within 6 months from the date of receipt of the appeal.

l. Appeal to Supreme Court [Section 15Z]

Any person aggrieved by any decision or order of the Securities Appellate Tribunal may—

• file an appeal to the Supreme Court within 60 days from the date of communication of the decision or order of the Securities Appellate Tribunal to him on any question of law arising out of such order:

Provided that the Supreme Court may, if it is satisfied that the applicant was prevented by sufficient cause from filing the appeal within the said period, allow it to be filed within a further period not exceeding 60 days.

m. Contravention by companies [Section 27]17

(1) Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made there under has been committed by a company – every person who at the time the contravention was committed was in charge of, and was responsible to, the company for
the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly:

Exemption: This sub-section shall not render any such person liable to any punishment provided in this Act, if he proves that the contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.

(2) Notwithstanding anything contained in sub-section (1), where an contravention under this Act has been committed by a company and it is proved that the contravention has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.

Explanation: For the purposes of this section,—

(a) company means anybody corporate and includes a firm or other association of individuals; and

(b) director, in relation to a firm, means a partner in the firm.

n. Recovery of amounts [Section 28A]

(1) If a person fails to pay the penalty imposed under this Act or fails to comply with any direction of the Board for refund of monies or fails to comply with a direction of disgorgement order or fails to pay any fees due to the Board, the Recovery Officer may draw up under his signature a statement in the specified form specifying the amount due from the person (such statement being hereafter in this Chapter referred to as certificate) and shall proceed to recover from such person the amount specified in the certificate by one or more of the following modes, namely:—

(a) attachment and sale of the person's movable property;

(b) attachment of the person's bank accounts;

(c) attachment and sale of the person's immovable property;

(d) arrest of the person and his detention in prison;

(e) appointing a receiver for the management of the person's movable and immovable properties, and for this purpose, the provisions of sections 220 to 227, 228A, 229, 232, the Second and Third Schedules to the Income-tax Act, 1961 and the Income-tax (Certificate Proceedings) Rules, 1962, as in force from time to time, in so far as may be, apply with necessary modifications as if the said provisions and the rules made thereunder were the provisions of this Act and referred to the amount due under this Act instead of to income-tax under the Income-tax Act, 1961.
Explanation 1— For the purposes of this sub-section, the person's movable or immovable property or monies held in bank accounts shall include any property or monies held in bank accounts which has been transferred directly or indirectly on or after the date when the amount specified in certificate had become due, by the person to his spouse or minor child or son's wife or son's minor child, otherwise than for adequate consideration, and which is held by, or stands in the name of, any of the persons aforesaid; and so far as the movable or immovable property or monies held in bank accounts so transferred to his minor child or his son's minor child is concerned, it shall, even after the date of attainment of majority by such minor child or son's minor child, as the case may be, continue to be included in the person's movable or immovable property or monies held in bank accounts for recovering any amount due from the person under this Act.


Explanation 3.— Any reference to appeal in Chapter XVIID and the Second Schedule to the Income-tax Act, 1961, shall be construed as a reference to appeal before the Securities Appellate Tribunal under section 15T of this Act.

Explanation 4.— The interest referred to in section 220 of the Income-tax Act, 1961 shall commence from the date the amount became payable by the person.

(2) The Recovery Officer shall be empowered to seek the assistance of the local district administration while exercising the powers under sub-section (1).

(3) Notwithstanding anything contained in any other law for the time being in force, the recovery of amounts by a Recovery Officer under sub-section (1), pursuant to non-compliance with any direction issued by the Board under section 11B, shall have precedence over any other claim against such person.

(4) For the purposes of sub-sections (1), (2) and (3), the expression "Recovery Officer" means any officer of the Board who may be authorised, by general or special order in writing, to exercise the powers of a Recovery Officer.

o. Continuance of proceedings [Section 28B]

(1) Where a person dies, his legal representative shall be liable to pay any sum which the deceased would have been liable to pay, if he had not died, in the like manner and to the same extent as the deceased:

Provided that, in case of any penalty payable under this Act, a legal representative shall be liable only in case the penalty has been imposed before the death of the deceased person.

(2) For the purposes of sub-section (1),--
(a) any proceeding for disgorgement, refund or an action for recovery before the Recovery Officer under this Act, except a proceeding for levy of penalty, initiated against the deceased before his death shall be deemed to have been initiated against the legal representative, and may be continued against the legal representative from the stage at which it stood on the date of the death of the deceased and all the provisions of this Act shall apply accordingly;

(b) any proceeding for disgorgement, refund or an action for recovery before the Recovery Officer under this Act, except a proceeding for levy of penalty, which could have been initiated against the deceased if he had survived, may be initiated against the legal representative and all the provisions of this Act shall apply accordingly.

(3) Every legal representative shall be personally liable for any sum payable by him in his capacity as legal representative if, while his liability for such sum remains undischarged, he creates a charge on, or disposes of or parts with any assets of the estate of the deceased, which are in, or may come into, his possession, but such liability shall be limited to the value of the asset so charged, disposed of or parted with.

(4) The liability of a legal representative under this section shall be limited to the extent to which the estate of the deceased is capable of meeting the liability.

Explanation.—For the purposes of this section "Legal representative" means a person who in law represents the estate of a deceased person, and includes any person who intermeddles with the estate of the deceased and where a party sues or is sued in a representative character, the person on whom the estate devolves on the death of the party so suing or sued.

SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

1. Applicability

These regulations shall apply as per regulation 3 of the SEBI(LODR) Regulations to the listed entity who has listed any of the following designated securities on recognized stock exchange(s):

- Specified securities listed on main board or SME Exchange or Institutional trading platform;
- Non-convertible debt securities, non-convertible redeemable preference Shares, perpetual debt instrument, perpetual non-cumulative preference Shares;
- Indian depository receipts;
- Securitized debt instruments;
- Security receipts;
- Units issued by mutual funds;
- Any other securities as may be specified by the Board.

"listed entity" means an entity which has listed, on a recognised stock exchange(s), the designated
2. Key features of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 -

1. Composition of Board: Regulation 17(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 states that company should have optimum combination of executive and non-executive directors, with at least one woman director and not less than 50% of the Board of directors comprising of non-executive directors.

Independent directors – Regulation 17 specifies that where the chairperson of the board of directors is a non-executive director, at least one-third of the board of directors shall comprise of independent directors.

Where the listed entity does not have a regular non-executive chairperson, at least half of the board of directors (i.e., 50%) shall comprise of independent directors.

Provided that where the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of board of director or at one level below the board of directors, at least half of the board of directors of the listed entity shall consist of independent directors.

If the promoter is a company (and not individual), "related to any promoter" means –

(a) If the promoter is a listed entity, its directors other than the independent directors, its employees or its nominees shall be deemed to be related to it,

(b) If the promoter is an unlisted entity, its directors, its employees or its nominees shall be deemed to be related to it.

[Explanation to proviso to regulation 17(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015].

Provisions relating to independent directors are not applicable to section 8 (licensed i.e. non-profit) companies [MCA Notification dated 5-6-2015 issued under section 462 of Companies Act, 2013]

Age limit: Minimum age of director should be 21 years. No listed entity shall appoint a person or continue the directorship of any person as a non-executive director who has attained the age of 75 years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.

Disclosure about relationships between directors– Disclosure about relationship between
directors inter se shall be made in the Annual Report, notice of appointment of director, prospectus and letter of offer for issuance and related filings made to stock exchange, where the company is listed.

**Vacancy in post of independent director** - Vacancy in post of independent director should be filled within three months – Schedule IV of Companies Act, 2013.

2. **Board meetings and information to be given to Board:** Regulation 17(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 provides for conduct of Board meetings. It shall be held at least 4 times in a year, with maximum time gap of 120 days between the meetings.

Review of compliance report – As per Regulation 17(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Board will periodically review compliance reports of all laws applicable to company, prepared by company and steps taken by company to rectify instances of non-compliance.

3. **Restrictions on Committee membership**

<table>
<thead>
<tr>
<th>Nature of holding of office by a person of Board</th>
<th>Maximum Ceiling</th>
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<tr>
<td>A person shall be a member of committees of Board</td>
<td>10</td>
</tr>
<tr>
<td>A person shall be a chairperson of committees</td>
<td>5 (across all companies in which he is director)</td>
</tr>
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For purpose of considering the limit of committees on which a director can serve, all listed and unlisted public companies will be included, but other companies (private companies, foreign companies, section 8 companies) will be excluded.

Further, only two committees i.e. Audit committee and Stockholders’ Relationship Committee shall be considered for purpose of the limit, i.e. membership of other committees will not be considered [Regulation 26(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

4. **Qualified and independent Audit Committee:** Company will form a qualified and independent audit committee. The requirements are contained in Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

5. **Corporate governance requirements with respect to Subsidiary Companies of listed company:**

 Regulation 24 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 also apply to listed subsidiary, if it has subsidiaries.

At least one independent director on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, whether incorporated in India or not.
Term "material subsidiary" shall mean a subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company. The minutes of the Board meetings of the subsidiary company shall be placed for review at the Board meeting of the holding company. The Management should bring to notice of Board of holding company all significant transactions and arrangements entered into by unlisted subsidiary company.

Listed entity shall not dispose of shares in its material subsidiary without special resolution in general meeting.

6. Disclosures of events or information: All material disclosures should be made. Following are the disclosures given in Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Following disclosures shall be made -

Basis of related party transactions - A statement of all transactions with related parties including their basis shall be placed before the Audit Committee. Material transactions which are not in normal course of business shall be placed before audit committee. If any transaction is not on an arm's length basis, management shall provide an explanation to the Audit Committee justifying the same.

Disclosure of Accounting Treatment – In case of non-compliance of accounting standards, the fact should be disclosed in financial statement, together with management's explanation why the alternate treatment is giving better view.

Disclosure of risks and risk management - Company shall lay down procedures to inform Board members about the risk assessment and minimization procedures. These procedures shall be periodically reviewed to ensure that executive management controls risk through means of a properly defined framework.

Proceeds from Initial Public Offerings (IPOs) - When money is raised through an Initial Public Offering (IPO) it shall disclose to the Audit Committee, the uses/applications of funds by major category (capital expenditure, sales and marketing, working capital, etc.), on a quarterly basis as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for purposes other than those stated in the offer document/prospectus. This statement shall be certified by the statutory auditors of the company. Where company has appointed monitoring agency to monitor utilisation of proceeds of public or rights issue, the report of monitoring committee will be
placed before audit committee. The audit committee shall make appropriate recommendations to the Board to take up steps in this matter.

Remuneration of Directors - All pecuniary relationship or transactions of the non-executive director's vis-à-vis the company shall be disclosed in the Annual Report. Disclosure about remuneration giving prescribed details should be made in section on Corporate Governance.

Management discussion and analysis report of Board - A management discussion and analysis report of Board shall form part of annual report to shareholders. The report should include following matters within the limits set by the company's competitive position –

(a) Industry structure and development
(b) Opportunities and threats
(c) Segment-wise or product wise performance
(d) Outlook
(e) Risks and concerns
(f) Internal control systems and their adequacy
(g) Discussion on financial performance with respect to operational performance
(h) Material developments in human resources/industrial relations.

Business Responsibility Statement - Companies are expected to make public disclosure regarding steps taken from Environment, Social and Governance (ESG) perspective. Companies should submit BR Report as part of Annual Report. [Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

Disclosure when director is to be appointed/re-appointed - In case of the appointment of a new director or re-appointment of a director the shareholders must be provided with the following information –

(a) A brief resume of the director;
(b) Nature of his expertise in specific functional areas;
(c) Names of companies in which the person also holds the directorship and the membership of Committees of the Board and;
(d) Shareholding of non-executive directors in the company either own or as beneficiary

Information about company on web - Quarterly results and presentation made by companies to analysts shall be put on company's web-site, or shall be sent in such a form so as to enable the stock exchange on which the company is listed to put it on its own web-site.

7. CEO/CFO certification: CEO (either the Managing Director or Manager appointed under Companies Act) and the CFO (whole-time Finance Director or other person discharging this function) of the company shall certify to Board that, they have reviewed the financial statements and the cash flow statements and to the best of their knowledge and belief these
statements are true.

The certificate should be submitted to Board annually before or at the time when the annual accounts are presented to Board.

Appointment of CFO shall be approved by Audit Committee before finalisation of appointment of CFO by management.


Board of Directors – (i) Composition and category of directors, for example, promoter, executive, non-executive, independent non-executive, nominee director, which institution represented as lender or as equity investor (ii) Attendance of each director at the Board of Directors (BoD) meetings and the last AGM (iii) Number of other BoDs or Board Committees in which he/she is a member or Chairperson (iv) Number of BoD meetings held, dates on which held.

Audit Committee – (i) Brief description of terms of reference (ii) Composition, name of members and Chairperson (iii) Meetings and attendance during the year.

Remuneration Committee – (i) Brief description of terms of reference (ii) Composition, name of members and Chairperson (iii) Attendance during the year (iv) Remuneration policy (v) Details of remuneration to all the directors, as per format in main report.

Shareholders Grievance Committee – (i) Name of non-executive director heading the Committee (ii) Name and designation of compliance officer (iii) Number of shareholders' complaints received so far (iv) Number not solved to the satisfaction of shareholders (v) Number of pending complaints

General Body meetings – (i) Location and time, where last three AGMs held (ii) Whether any special resolutions passed in the previous 3 AGMs (iii) Whether any special resolution passed last year through postal ballot – details of voting pattern (iv) Person who conducted the postal ballot exercise (v) Whether any special resolution is proposed to be conducted through postal ballot (vi) Procedure for postal ballot

Disclosures – (i) Disclosures on materially significant related party transactions that may have potential conflict with the interests of company at large (ii) Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years (iii) Whistle Blower policy and affirmation that no personnel has been denied access to the audit committee (iv) Details of compliance with mandatory requirements and adoption of non-mandatory requirements of clause 49.

9. Transparency and disclosures: SEBI has provided for many disclosures to bring transparency and ensure adequate disclosures to members and public. Some important measures are
(a) Publication of quarterly unaudited reports with segment reporting within one month
(b) Quarterly limited review by auditors
(c) Disclosures about important events in the company
(d) Disclosures in Directors' Report.


(a) Section 134(3) of Companies Act, 2013 requires statement of annual evaluation by Board of its own performance and of committees.
(b) Section 178(2) of Companies Act, 2013 requires Nomination and Remuneration Committee to identify persons to be directors.
(c) Schedule IV - Performance evaluation of independent directors.
(d) SEBI (LODR) Regulations covering provisions relating to functions of Board, performance evaluation of directors, role of Nomination and Remuneration Committee and Corporate Governance Report.

Further, the Listing Regulations have been sub-divided into two parts viz:;
(a) Substantive provisions incorporated in the main body of Regulations,
(b) Procedural requirements in the form of schedules to the Regulations

3. COMMON OBLIGATIONS OF LISTED ENTITIES

This part deals with the obligations and responsibilities upon all the listed entities. A responsibility has been cast upon Key Managerial Personnel (KMP'S), Directors, and Promoters that they shall comply with responsibilities or obligations assigned to them under the regulations.[Regulation 5]

The following are the common obligations on Listed entities:

(1) Regulation 6: Compliance Officer And his Obligations: A listed entity shall appoint a qualified Company Secretary as the Compliance Officer. The Compliance officer so appointed shall be responsible for ensuring conformity with regulatory compliance, co-ordination and reporting to the Board, ensuring that correct procedures have been followed that would result in correctness of information filed by listed entity under the regulations and monitoring email address of grievance redressal division.

(2) Regulation 7: Share Transfer Agent: The listed entity shall appoint a share transfer agent or manage the share transfer facility in house.
4. **REGULATION 24: CORPORATE GOVERNANCE REQUIREMENTS WITH RESPECT TO SUBSIDIARY OF LISTED ENTITY.**

The Board:

1. At least one independent director on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, whether incorporated in India or not.

*Explanation.—* the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

A listed entity shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than 50% or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within 1 day of the resolution plan being approved.

Selling, disposing and leasing of assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders by way of special resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

5. **QUARTERLY COMPLIANCE – LISTED ENTITY**

A. **Regulation 13(3): Grievance Redressal Mechanism**

The listed entity shall file with the recognized stock exchange(s) on a quarterly basis, within 21 days from the end of each quarter, a statement giving the number of investor complaints pending at the beginning of the quarter, those received during the quarter, disposed of during the quarter and those remaining unresolved at the end of the quarter.

B. **Regulation 27(2): Other Corporate Governance Requirements**

A listed entity shall submit quarterly compliance report on corporate governance in the format as specified by the Board from time to time to the recognized stock exchange(s), Within 15 days from close of quarter.

C. **Regulation 31(1): Holding of Specified Securities and Shareholding Pattern.**
A listed entity shall submit a statement showing holding of securities and shareholding pattern separately for each class of securities:

(a) One day prior to listing of its securities on the stock exchange(s);
(b) On a quarterly basis, within 21 days from the end of each quarter; and,
(c) Within 10 days of any capital restructuring of the listed entity resulting in a change exceeding 2% per cent of the total paid-up share capital.

D. Regulation 33(3): Financial Results

The listed entity shall submit quarterly and year-to-date standalone financial results to the stock exchange within 45 days of end of each quarter, other than the last quarter.

E. Regulation 32(1): Statement of Deviation(S) Or Variation(S)

A listed entity shall submit to the stock exchange the following statement(s) on a quarterly basis for public issue, rights issue, preferential issue etc.,

(a) indicating deviations, if any, in the use of proceeds from the objects stated in the offer document or explanatory statement to the notice for the general meeting, as applicable;
(b) indicating category wise variation (capital expenditure, sales and marketing, working capital etc.) between projected utilization of funds made by it in its offer document or explanatory statement to the notice for the general meeting, as applicable and the actual utilization of Funds.

6. PRIOR INTIMATION OF BOARD MEETING

A. Regulation 29(1): Financial Results

At least 5 days in advance (excluding date of meeting and date of intimation).

B. Other Matters Regulation 29(2)

For following purposes Intimation shall be required to be made at least 2 working days in advance, excluding the date of the intimation and date of the meeting:

- Proposal for Voluntary Delisting by the listed entity from the stock exchange(s);
- Fund raising by way of further public offer, rights issue, American Depository Receipts/Global Depository Receipts/Foreign Currency Convertible Bonds, qualified institutions placement, debt issue, preferential issue or any other method and for determination of issue price.
- Declaration/recommendation of dividend, issue of convertible securities including convertible debentures or of debentures carrying a right to subscribe to equity shares or the passing over of dividend.
- The proposal for declaration of bonus securities where such proposal is communicated to the board of directors of the listed entity as part of the agenda papers.
- Proposal for Buyback of Securities.
C. Regulation 29(3): Prior Intimation

The listed entity shall give intimation to the stock exchange(s) at least 11 working days before any of the following proposal is placed before the board of directors -

- Any alteration in the form or nature of any of its securities that are listed on the stock exchange or in the rights or privileges of the holders thereof.
- Any alteration in the date on which, the interest on debentures or bonds, or the redemption amount of redeemable shares or of debentures or bonds, shall be payable.

D. Regulation 42(2): Record Date or Date of Closure of Transfer Books

A listed entity shall give notice in to stock exchange(s) of record date specifying the purpose of the record date, at least 7 working days (excluding the date of intimation and the record date).

E. Regulation 42(3): Dividend

A listed entity shall recommend or declare all dividend and/or cash bonuses at least 5 working days (excluding the date of intimation and the record date) before the record date.

F. Regulation 46(3): Website

A listed entity shall update any change in the content of its website Within 2 working days from the date of such change in content.

7. ANNUAL / YEARLY COMPLIANCES

The annual/yearly compliances that have to be followed are as follows:

A. Regulation 33(3): Financial Results: Listed entity shall submit audited standalone financial results for the financial year, along with the audit report and either Form A (for audit report with unmodified opinion) or Form B (for audit report with modified opinion) within 60 days from end of Financial Year.

B. Regulation 34: Annual Report: The listed entity shall submit to the stock exchange and publish on its website—

(a) a copy of the annual report sent to the shareholders along with the notice of the annual general meeting not later than the day of commencement of dispatch to its shareholders;

(b) in the event of any changes to the annual report, the revised copy along with the details of and explanation for the changes shall be sent not later than 48 hours after the annual general meeting.

C. Regulation 36(2): Documents & Information to Shareholders: A listed entity shall send annual report to the holders of securities not less than 21 days before the Annual General Meeting.
8. ROLE OF COMPLIANCE OFFICER

The role of a Compliance Officer is as follows:

- Listed Company shall ensure KMP, Directors, Promoters complies with obligations.
- **Compliance Officer ensure listed Company** confirms with regulatory provisions in letter and spirit.
- Co-ordination with Board and Stock Exchange.
- Report to Board and Stock Exchange.
- Ensure Correct, Authentic, Comprehensive info is filed.
- Monitor email id for grievance redressal.
- Determining materiality of information to be reported to stock exchange.
- Report to Board about compliance.
- Ensure compliance with SS 1(Board Meeting) and SS 2(General Meeting)
  - To provide guidance to director about their Duties.
  - To assist board in conduct of affairs of the Company
  - Assist and Advice board in complying with CG and best practices.
  - Facilitate meeting / represent company etc.

9. CORPORATE GOVERNANCE

- Approval for related party transactions through a resolution [As per Clause 49 of Listing Agreement, it was Special Resolution]
- All existing material related party contracts / arrangements, prior to the date of notification of these Regulations, and which may continue beyond, to be placed for approval of the shareholders in first General Meeting subsequent to notification of these Regulations.

Compliance Report on Corporate Governance

The following reports are submitted to Stock Exchange:

- Quarterly Compliance Report – to be submitted **within 15 days** from end of quarter
- Compliance Report to be submitted within 6months from the end of financial year – may be submitted along with second quarter report.
- Annual Compliance Report.
10. **TYPES OF COMMITTEES UNDER LODR REGULATIONS**

**A. Audit Committee:**

Every listed entity shall constitute a qualified and independent audit committee which shall have:

(a) The audit committee shall have minimum three directors as members.

(b) Two-thirds of the members of audit committee shall be independent directors.

(c) All members of audit **committee shall be financially** literate and at least one member shall have accounting or related financial management expertise.

(d) The chairperson of the audit committee shall be an Independent Director and he shall be present at Annual general meeting to answer shareholder queries.

(e) The Company Secretary shall act as the secretary to the audit committee.

(f) The audit committee at its discretion shall invite the finance director or head of the finance function, head of internal audit and a representative of the statutory auditor and any other such executives to be present at the meetings of the committee.

**Meetings of Audit Committee:**

(a) The audit committee shall meet at least four times in a year and not more than 120 days shall elapse between two meetings.

(b) The Quorum for audit committee meeting shall either be two members or one third of the members of the audit committee, whichever is greater, with at least 2 Independent directors.

(c) The audit committee **shall have powers to investigate any** activity within its terms of reference, seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

**B. Nomination and Remuneration Committee:**

The Board of directors shall constitute the nomination and remuneration committee as follows:

- The committee shall comprise of at least 3 directors;
- All directors of the committee shall be Non-Executive Directors; and
- At least 50 percent of the directors shall be independent directors.

The Chairperson of the nomination and remuneration committee shall be an independent director. Provided that the chairperson of the listed entity, whether executive or non-executive, may be appointed as a member of the Nomination and Remuneration Committee and shall not chair such Committee.

The quorum for a **meeting of the nomination and remuneration** committee shall be either two members or one third of the members of the committee, whichever is greater, including at least
one independent director in attendance.

The Chairperson of the nomination and remuneration committee may be present at the annual general meeting, to answer the shareholders' queries; however, it shall be up to the chairperson to decide who shall answer the queries.

The nomination and remuneration committee shall meet at least once in a year.

C. Stakeholders Relationship Committee:

The listed entity shall constitute a Stakeholders Relationship Committee to specifically look into various aspects of interest of shareholders, debenture holders and other security holders.

- The Chairperson of this committee shall be a Non-Executive director.
- The Board of Directors shall decide other members of this committee.
- At least three directors, with at least one being an independent director, shall be members of the Committee.
- The Chairperson of the Stakeholders Relationship Committee shall be present at the annual general meetings to answer queries of the security holders.
- The stakeholder's relationship committee shall meet at least once in a year.

D. Risk Management Committee

- The Board of directors shall constitute a Risk Management Committee.
- The majority of members of Risk Management Committee shall consist of members of the board of directors.
- The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee.
- The risk management committee shall meet at least once in a year.
- The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee.
- The Board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit such function shall specifically cover cyber security.
- The provisions of this regulation regarding risk management committee shall be applicable to top 500 listed entities, determined on the basis of market capitalization, as at the end of the immediate previous financial year.
CA ABHISHEK BANSAL

Nandini Agrawal
AIR 1

Sachin Agrawal
AIR 18

Akshit Agarwal
AIR 30

Ridhi Kogta
AIR 36

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