

Highlights of the SEBI board meeting dated 29 March 2023

On 29 March 2023, the Securities and Exchange Board of India (SEBI) board met and took many important decisions for empowering shareholders, widening the disclosure requirements, and decisions to promote capital markets generally. We discuss the important highlights of the major decisions.

1. ESG related decisions

- a. **Disclosures:** Business Responsibility and Sustainability Report (BRSR) core shall be introduced, containing key performance indicators (KPI) on which the listed entities will need to obtain reasonable assurance. The core shall apply initially to the top 150 listed companies for FY 2023-24 and will be gradually extended to the top 1,000 listed companies by FY 2026-27.
- b. **ESG ratings:** ESG Rating Providers (ERPs) shall be required to consider India / Emerging Market parameters in ESG Ratings. Accordingly, the ERPs shall offer to provide a separate category of 'core BRSR ratings.'
- c. **ESG investing:** These measures aim to invest a certain minimum percentage (65%) in listed entities where BRSR core assurance is undertaken. Other measures like disclosure of fund-manager commentary, mandating third-party assurance on compliance with the objectives of the ESG scheme, etc. will be introduced.
- d. To regulate the ESG rating providers, a new chapter is introduced in the SEBI (Credit Rating Agencies) Regulations, 1999.

2. Secondary market related decisions

These decisions include

- a. Introduction of 'Application Supported by Blocked Amount' (ASBA) like facility made available to investors for secondary market trading,
- b. Upstreaming of clients' funds by brokers to clearing corporations,
- c. Amendments to stock brokers' regulations for detection and prevention of fraud or market abuse.

3. Mutual funds related decisions

- a. Amendments to SEBI (Alternative Investment Funds) Regulations, 2012 to ensure instilling of confidence amongst the participants in the Corporate Bond Market and to generally enhance secondary market liquidity.
- b. Steps are taken for making the board of the asset management companies (AMC) responsible for unit-holder protection.
- c. Providing opportunities to a diverse set of entities like private equity funds to act as sponsors of mutual funds.

4. Shareholder empowerment

- a. Disclosure of material events/information by listed entities:
 - i. Introduction of a quantitative threshold for determining 'materiality' of events/information.
 - ii. Stricter timeline for disclosure of material events/information for which decision has been taken in the meeting of the board of directors (within 30 minutes) and which are emanating from within the listed entity (within 12 hours).

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- iii. Market rumours to be verified and confirmed, denied or clarified, as the case may be, by the top 100 listed entities by market capitalization effective from 1 October 2023 and by the top 250 listed entities with effect from 1 April 2024.
 - iv. Disclosure for certain types of agreements binding listed entities.
- b. Periodic shareholders' approval will now be required for any director serving on the board of a listed entity to do away with the practice of permanent board seats.
- c. Strengthening the extant mechanism of sale, lease or disposal of an undertaking of a listed entity outside the 'Scheme of Arrangement' framework.
- d. Listed entities shall be required to fill up the vacancy of Directors, Compliance Officer, Chief Executive Officer and Chief Financial Officer within 3 months from the date of such vacancy, to ensure that such critical positions are not kept vacant.

5. Investor grievances redressal

In the backdrop of an increase in investor participation in the securities market and the emergence of technology-aided dispute resolution frameworks, it is decided to employ Online Dispute Resolution (ODR) mechanism.

6. Debt-market related decisions

These include

- a. Introduction of the concept of General Information Document (GID) and Key Information Document (KID) for issuance of bonds/commercial paper and streamlining of disclosures.
- b. Extension of 'comply or explain' periods for large corporates to meet their financial needs and for high-value debt-listed entities (HVDLE) in respect of certain corporate governance and disclosure requirements.

Weblink

https://www.sebi.gov.in/media/press-releases/mar-2023/sebi-board-meeting_69552.html

Therefore

SEBI has always been taking various investor and market-friendly decisions to bring in ease of doing business and reporting. Most of the measures taken in the recent meeting facilitate shareholders' empowerment and transparency in capital markets. ESG compliances are the need of the hour considering that the ESG reporting is made mandatory in India from FY 2023-24.