



CIRCULAR

SEBI/HO/CFD/CMD/CIR/P/2018/77

May 3, 2018

To,

All the Recognized Stock Exchanges
All Depositories

Dear Sir/Madam,

Sub: Non-compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Standard Operating Procedure for suspension and revocation of trading of specified securities.

1. In exercise of powers under Section 11A(2) of the SEBI Act, 1992 read with Section 9 and 21 of the Securities Contracts (Regulation) Act, 1956 and read with regulation 98 of the the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), SEBI had issued a Circular bearing reference number CIR/CFD/CMD/12/2015 dated November 30, 2015, specifying the uniform structure for imposing fines as a first resort for non-compliance with certain provisions of the Listing Regulations and the standard operating procedure for suspension of trading in case the non-compliance is continuing and/or repetitive.
2. Thereafter, SEBI had issued another Circular bearing reference number SEBI/HO/CFD/CIR/P/2016/116 dated October 26, 2016 advising the manner of freezing of holdings of the promoter and promoter group of a listed entity that failed to pay fines levied by the stock exchange(s).
3. On the basis of the experience gained and to streamline the process, to maintain consistency and to adopt a uniform approach in the matter of levy of fines for non-compliance with certain provisions of the Listing Regulations, the manner of suspension of trading of securities of a listed entity and the manner of freezing the holdings of the promoter and promoter group of a non-compliant listed entity, it has been decided to issue the present Circular, in supersession of the said Circulars bearing reference numbers CIR/CFD/CMD/12/2015 dated November 30, 2015 and SEBI/HO/CFD/CIR/P/2016/116 dated October 26, 2016.



4. Henceforth, the stock exchanges shall, having regard to the interests of investors and the securities market:
 - a) take action in case of non-compliances with the Listing Regulations as specified in **Annexure I** of this Circular, and.
 - b) follow the Standard Operating Procedure (“SOP”) for suspension and revocation of suspension of trading of specified securities as specified in **Annexure II** of this Circular.

Stock Exchanges may deviate from the above, if found necessary, only after recording reasons in writing.

5. In order to ensure effective enforcement of the Listing Regulations, the depositories, on receipt of intimation from the concerned recognized stock exchange, shall freeze or unfreeze, as the case may be, the entire shareholding of the promoter and promoter group in such non-compliant listed entity as well as all other securities held in the demat account of the promoter and promoter group. Further, if a non-compliant entity is listed on more than one recognized stock exchange, the concerned recognized stock exchanges shall take uniform action under this Circular in consultation with each other.
6. The recognized stock exchanges shall take necessary steps to implement this circular. The recognized stock exchanges shall disclose on their website the action(s) taken against the listed entities for non-compliance(s); including the details of the respective requirement, amount of fine levied, the period of suspension, details regarding the freezing of shares, etc.
7. The recognized stock exchanges may keep in abeyance the action or withdraw the action in specific cases where specific exemption from compliance with the requirements under the Listing Regulations/moratorium on enforcement proceedings has been provided for under any Act, Court/Tribunal Orders etc.
8. The above provisions are without prejudice to the power of SEBI to take action under the securities laws.
9. The recognized stock exchanges are advised to bring the provisions of this Circular to the notice of listed entities and the listed entities shall in turn bring the same to the notice of their promoter/promoter group.



10. This Circular shall come into force with effect from compliance periods ending on or after September 30, 2018.

11. This circular is available on SEBI website at www.sebi.gov.in under the category "Legal".

Yours faithfully,

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ANNEXURE I
ACTION TO BE TAKEN IN CASE OF NON-COMPLIANCES

1. The recognized stock exchanges shall take action for non-compliance with the provisions of the Listing Regulations by a listed entity as under:

Sl. No.	Regulation	Fine payable and/or other action to be taken for non-compliance in respect of listed entity
1.	Regulation 6(1) Non-compliance with requirement to appoint a qualified company secretary as the compliance officer	₹ 1,000 per day
2.	Regulation 7(1) Non-compliance with requirement to appoint share transfer agent	₹ 1,000 per day
3.	Regulation 13(1)/ 13(3) Failure to ensure that adequate steps are taken for expeditious redressal of investor complaints Non-submission of the statement on shareholder complaints within the period prescribed under this regulation or under any circular issued in respect of redressal of investor grievances	₹ 1,000 per day
4.	Regulation 17(1) Non-compliance with the requirements pertaining to the composition of the Board including failure to appoint woman director	₹ 5,000 per day
5.	Regulation 18(1) Non-compliance with the constitution of audit committee	₹ 2,000 per day



6.	Regulation 19(1)/ 19(2) Non-compliance with the constitution of nomination and remuneration committee	₹ 2,000 per day
7.	Regulation 20(2) Non-compliance with the constitution of stakeholder relationship committee	₹ 2,000 per day
8.	Regulation 21(2) Non-compliance with the constitution of risk management committee	₹ 2,000 per day
9.	Regulation 27(2) Non-submission of the Corporate governance compliance report within the period provided under this regulation	₹ 2,000 per day
10.	Regulation 29(2)/29(3) Delay in furnishing prior intimation about the meeting of the board of directors	₹ 10,000 per instance of non-compliance per item
11.	Regulation 31 Non-submission of shareholding pattern within the period prescribed	₹ 2,000 per day
12.	Regulation 32(1) Non-submission of deviations/ variations in utilization of issue proceeds	₹ 1,000 per day
13.	Regulation 33 Non-submission of the financial results within the period prescribed under this regulation	₹ 5,000 per day



14.	Regulation 34 Non-submission of the Annual Report within the period prescribed under this regulation	₹ 2,000 per day
15.	Regulation 39(3) Non-submission of information regarding loss of share certificates and issue of the duplicate certificates within the period prescribed under this regulation	₹ 1,000 per day
16.	Regulation 42(2)/42(3)/42(4)/42(5) Delay in/ non-disclosure of record date/ dividend declaration or non-compliance with ensuring the prescribed time gap between two record dates/ book closure dates	₹ 10,000 per instance of non-compliance per item
17.	Regulation 44(3) Non-submission of the voting results within the period provided under this regulation	₹ 10,000 per instance of non-compliance
18.	Regulation 46 Non-compliance with norms pertaining to functional website	Advisory/warning letter per instance of non-compliance per item ₹ 10,000 per instance for every additional advisory/warning letter exceeding the four advisory/ warning letters in a financial year

2. Concerned recognized stock exchange(s) shall display on their website non-compliance by the listed entity and details of fine levied/ action taken.
3. The amount of fine realized as per the above structure shall be credited to the "Investor Protection Fund" of the concerned recognized stock exchange.
4. The fines specified above shall continue to accrue till the time of rectification of the non-compliance to the satisfaction of the concerned recognized stock



exchange or till the scrip of the listed entity is suspended from trading for non-compliance with aforesaid provisions. Such accrual shall be irrespective of any other disciplinary/enforcement action(s) initiated by recognized stock exchange(s)/SEBI.

5. Every recognized stock exchange shall review the compliance status of the listed entities within 15 days from the date of receipt of information and shall issue notices to the non-compliant listed entities to ensure compliance and collect fine as per this circular within 15 days from the date of such notice. While issuing the said notice, the recognized stock exchange shall also send intimation of notice to other recognized stock exchange(s) where the shares of the non-compliant entity are listed.
6. If the non-compliant listed entity fails to comply with the aforesaid requirement(s) and/or pay fine levied within the stipulated period as per the notice stated above, the concerned recognized stock exchange(s) shall, upon expiry of the period indicated in the notice, forthwith intimate the depositories to freeze the entire shareholding of the promoter and promoter group in such entity as well as all other securities held in the demat account of the promoter and promoter group.
7. If the non-compliant listed entity subsequently complies with the respective requirement(s) and pays the fine levied, in terms of this Circular, the concerned recognized stock exchange(s) shall display on their website compliance and status of fines paid by the listed entity. Simultaneously, the recognized stock exchange(s) shall intimate the depositories to unfreeze the entire shareholding of the promoter and promoter group in such entity as well as all other securities held in the demat account of the promoter and promoter group, after one month from the date of compliance.
8. If any non-compliant listed entity fails to pay the fine despite receipt of the notice as stated above, the recognized stock exchange(s) may also initiate appropriate enforcement action.
9. The recognised stock exchange(s) shall also advise the non-compliant listed entity to ensure that the subject matter of non-compliance which has been identified and indicated by the recognised stock exchange(s) and any subsequent action taken by the recognised stock exchange(s) in this regard shall be placed before the Board of Directors of the company in its next meeting. Comments made by the board shall be duly informed to the recognised stock exchange(s) for dissemination.



ANNEXURE II
STANDARD OPERATING PROCEDURE (SOP)

1. If a listed entity is non-compliant with the provisions of the Listing Regulations as specified under paragraph 2 below, the concerned recognized stock exchange(s) shall:
 - (a) move the scrip of the listed entity to "Z" category wherein trades shall take place on 'Trade for Trade' basis by following procedure prescribed at paragraph A below and
 - (b) suspend trading in the shares of such listed entity by following procedure prescribed at paragraph B below.

2. Criteria for suspension of the trading in the shares of the listed entities:
 - (a) Failure to comply with regulation 17(1) with respect to board composition including appointment of woman director for two consecutive quarters;
 - (b) Failure to comply with regulation 18(1) with respect to constitution of audit committee for two consecutive quarters;
 - (c) failure to comply with regulation 27(2) with respect to submission of corporate governance compliance report for two consecutive quarters;
 - (d) failure to comply with regulation 31 with respect to submission of shareholding pattern for two consecutive quarters;
 - (e) failure to comply with regulation 33 with respect to submission of financial results for two consecutive quarters;
 - (f) failure to comply with regulation 34 with respect to submission of Annual Report for two consecutive financial years;
 - (g) failure to submit information on the reconciliation of shares and capital audit report, for two consecutive quarters;
 - (h) receipt of the notice of suspension of trading of that entity by any other recognized stock exchange on any or all of the above grounds.

3. If the non-compliant listed entity complies with the aforesaid requirement(s) after the date of suspension and pays the applicable fine, the recognized stock exchange(s) shall revoke the suspension of trading of its shares by following the procedure prescribed at paragraph C below.

4. If the non-compliant listed entity fails to comply with the aforesaid requirement(s) or fails to pay the applicable fine within 6 months from the date of suspension, the recognized stock exchange(s) shall initiate the process of compulsory delisting of the non-compliant listed entity in



accordance with the provisions of the Securities Contracts (Regulation) Act, 1956, the Securities Contracts (Regulation) Rules, 1957 and the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 as amended from time to time.

A. Standard operating procedure for moving the scrip to "Z" Category

- i. If a listed entity commits default in complying with the provisions of the Listing Regulations as specified under paragraph 2 above, the concerned recognised stock exchange(s) shall, in addition to imposing fine under paragraph 1 in Annexure I of this Circular, move the scrip of the listed entity to "Z" category wherein trades shall take place on 'Trade for Trade' basis.
- ii. The recognized stock exchange(s) shall give 7 days prior public notice to investors before moving the scrip to "Z" category or while moving the scrip out of "Z" category. While issuing the notice, the recognized stock exchange(s) shall intimate the other recognized stock exchange(s) where the shares of the non-compliant entity are listed.
- iii. The recognised stock exchange(s) shall move back the scrip of the listed entity from "Z" category to the normal trading category (if not suspended as specified in paragraph B below), provided it complies with respective provisions of the Listing Regulations and pays the fine imposed as stated above. While moving the scrip back to normal trading category the recognized stock exchange(s) shall intimate the other recognized stock exchange(s) where the shares of the non-compliant entity are listed.

B. Standard operating procedure for suspending the trading

- i. Before suspending the trading of a scrip, the concerned recognized stock exchange(s) shall send written intimation to the non-compliant listed entity calling upon it to comply with respective requirement(s) and pay the applicable fine within 21 days of the date of the intimation. While issuing the said intimation, the recognized stock exchange(s) shall also inform other recognized stock exchange(s) where the shares of the non-compliant entity are listed to ensure that the date of suspension is uniform across all the recognised stock exchange(s). Simultaneously, the recognized stock exchange(s) shall give a public notice on its website proposing possible suspension of trading in the shares of the non-compliant listed entity.



- ii. If the non-compliant listed entity complies with respective requirement(s) and pays fine two working days before the proposed date of suspension, the trading in its shares shall not be suspended and the concerned recognized stock exchange(s) shall give a public notice on its website informing compliance by the listed entity. While issuing the said notice, the recognized stock exchange(s) shall send intimation of notice to other recognized stock exchange(s) where the shares of the entity are listed. Simultaneously, the recognized stock exchange(s) shall intimate the depositories to unfreeze the entire shareholding of the promoter and promoter group in such entity as well as all other securities held in the demat account of the promoter and promoter group, after one month from the date of compliance.
- iii. In case of failure to comply with respective requirement(s) and/or pay fine within stipulated period, the recognized stock exchange(s) shall suspend the trading in the shares of a non-compliant listed entity. The entire shareholding of the promoter and promoter group in the non-compliant listed entity as well as all other securities held in the demat account(s) of the promoter and promoter group shall remain frozen during the period of suspension.
- iv. While suspending trading in the shares of the non-compliant entity, the recognized stock exchange(s) shall send intimation of suspension to other recognized stock exchange(s) where the shares of the non-compliant entity are listed to ensure that the date of suspension is uniform across all the recognised stock exchange(s).
- v. After 15 days of suspension, trading in the shares of non-compliant entity may be allowed on 'Trade for Trade' basis, on the first trading day of every week for 6 months. In this regard, the recognized stock exchange(s) shall give instruction to its trading members to obtain confirmation from clients before accepting an order for purchase of shares of the non-compliant listed entity on 'Trade for Trade' basis.
- vi. The recognized stock exchange(s) shall put in place a system to publish a caution message on its trading terminals, as follows: "*Trading in shares of the <Name of the Listed Entity> is presently under 'suspension and trade to trade basis' and trading shall stop completely and compulsory delisting may be initiated if <Name of the Listed Entity> does not become compliant by <Date> "*



C. Standard operating procedure for revocation of suspension of trading.

- i. If the non-compliant listed entity complies with the aforesaid requirement(s) and pays the applicable fine after trading is suspended in the shares of the non-compliant entity, the recognized stock exchange(s) shall, on the date of compliance, give a public notice on its website informing compliance by the listed entity. The recognized stock exchange(s) shall revoke the suspension of trading of its shares after a period of 7 days from the date of such notice. While issuing the said notice, the recognized stock exchange(s) shall send intimation of notice to other recognized stock exchange(s) where the shares of the entity are listed. After revocation of suspension, the trading of shares shall be permitted only in 'Trade for Trade' basis for a period of 7 days from the date of revocation and thereafter, trading in the shares of the entity shall be shifted back to the normal trading category.
- ii. The recognized stock exchange(s) shall intimate the depositories to unfreeze the entire shareholding of the promoter and promoter group in such entity as well as all other securities held in the demat account of the promoter and promoter group, after three months from the date of revocation of the suspension.
