



CAPITAL MARKETS

# N. A. SHAH BULLETIN

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## INDEX

1.	Online Filing System for registration and compliance.....	4
2.	Additional Disclosures by Listed Entities .....	4
3.	Restrictions for Non-Compliant Exclusively Listed Companies .....	5

### **EXECUTIVE SUMMARY**

- In continuance of operationalization of SEBI Intermediary Portal online, SEBI has introduced an online application system for Custodian of Securities.
- SEBI has now mandated listed entities to disclose all defaults pertaining unlisted debt securities including loans from banks and other financial institutions in addition to listed debt securities to the stock exchanges.
- SEBI has imposed restrictions on any transfer of shares, distribution of corporate benefits, raising of further capital on Exclusively Listed Companies (including its directors and promoters) which have failed to comply with the directions issued by SEBI previously.

## **1. Online Filing System for registration and compliance**

In continuance of operationalization SEBI Intermediary Portal, online SEBI has introduced an online application system for Custodian of Securities.

All applicants desirous of seeking registration as a Custodian of Securities are now required to submit their applications online only, through SEBI Intermediary Portal at <https://siportal.sebi.gov.in>. The Custodian of Securities seeking approval as Designated Depository Participant (DDP) in terms of Regulation 11 of SEBI (FPI) Regulations, 2014 shall also apply through this portal. The aforesaid online registration system for Custodians of Securities and approval as DDP has been made operational with immediate effect.

## **2. Additional Disclosures by Listed Entities**

Following the increase in defaults by corporate sector on loan repayments, many banks are presently under considerable stress on account of non-performing assets. In order to address this critical gap in the availability of information to investors, SEBI has now mandated listed entities to disclose all defaults to the stock exchanges. The requirements under the circular are as under:

### **a. Applicability**

All listed entities which have listed any of the following:

- i. Specified securities (equity and convertible securities)
- ii. Non-convertible debt securities
- iii. Non-convertible and redeemable preference shares.

### **b. Requirement of Disclosure to Stock Exchanges**

On default in payment of interest or principal amount in full on the pre-agreed date of the following:

- i. Debt securities (including commercial paper),
- ii. Medium Term Notes (MTNs),
- iii. Foreign Currency Convertible Bonds (FCCBs),
- iv. Loans from banks and financial institutions,
- v. External Commercial Borrowings (ECBs)

### **c. Timeline for Disclosure**

- i. On the first instance of default



The entities shall make disclosures within one working day from the date of default at the first instance of default in the specified format.

ii. Quarterly Report

The entities shall make disclosures within 7 days from the end of the quarter if there is any outstanding amount under default as on the last date of such quarter in the specified format.

Listed entities entity are also separately required to provide information pertaining to defaults to the concerned Credit Rating Agencies in a timely manner and as may be specified by SEBI from time to time. This circular shall come into effect with effect from October 1, 2017 to enable listed companies to put appropriate systems in place for prompt submission of disclosures.

### **3. Restrictions for Non-Compliant Exclusively Listed Companies**

SEBI, in order to ensure exit option is provided to the public shareholders of Exclusively Listed Companies (ELCs) that are non-compliant with the provisions of the previous SEBI circulars and have not submitted plan of action to the Designated Stock Exchanges (DSEs) and in order to protect the interest of investors in ELCs on Dissemination Board, has directed as under:

- a. The ELCs and the Depositories shall not effect transfer, by way of sale, pledge, etc., of any of the equity shares and the corporate benefits such as dividend, rights, bonus shares, split, etc. shall be frozen, for all the equity shares, held by the promoters or directors of non-compliant Exclusively Listed Companies
- b. The non-compliant ELCs, its directors, its promoters and the companies which are promoted by any of them shall not be eligible to access the securities market for the purposes of raising capital
- c. The promoters or directors of non-compliant ELCs shall not be eligible to remain or become director of any listed company

The above to stay in force till the promoters of such non-compliant Exclusively Listed Companies provide an exit option to the public shareholders in compliance with SEBI circulars.

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