

Sebi board...

“The perpetual insiders like promoters and directors would be required to frame their future plans well in advance, disclose those to stock exchange and then strictly abide by such plans. This might lead to speculation in share prices, since the public would have an advance knowledge of their trading plans,” said Tejesh Chitlangi, Partner, IC Legal. The idea of allowing settlement under consent mechanism for minor violations through issue of basic notices at an early stage is in line with the US practice of issuing ‘Wells’ notices. “The Wells notice or the

basic notice would only be sent in cases of minor violations. So, if an entity is willing to take the consent route, it might proceed much early; that would expedite the outcome. Sebi will be spared of preparing and sending detailed showcause notices in such cases which will save it time and resources,” said Chitlangi. Legal experts also believe that Sebi should ensure companies make right disclosures to the public. “It will be interesting to see how notices for settlement are implemented and whether they lead to companies actually settling cases before formal showcause notices being issued. It is also possible under this

mechanism that Sebi drops the case on the basis of submissions from noticees. A study in the US has indicated that the Secuties and Exchange Commission there dropped 20 per cent of the cases after issuing initial notices,” said Abhishek. Besides, the delisting timeline for companies has been reduced from 137 days to 76 days. A delisting shall be considered successful only when the shareholding of the promoter, together with shares tendered by public shareholders, reaches 90 per cent of the total share capital. At least 25 per cent of the public shareholders need to be part of a reverse book-building process. The Sebi board also con-

verted the exiting listing agreement into listing regulations. “Regulation would consolidate and streamline the provisions of existing listing agreements, thereby ensuring better enforceability,” said the Sebi press release. According to the press release, the market regulator is also reviewing the policy with respect to restricting a company categorised as a wilful defaulter, and its promoters and directors, from raising capital. A discussion paper in the regard would be issued. The promoter-to-public reclassification was also cleared by Sebi during the meeting. Sebi would issue a discussion paper on this for public consultation.