



CIRCULAR

CIR/MRD/ DSA / 31 /2013

September 30, 2013

**The Managing Director/Executive Director,
All recognised Stock Exchanges.**

**The Managing Director/Executive Director,
All Depositories.**

Dear Sir/Madam,

Subject: Amendment to bye-laws of recognised stock exchanges with respect to non-compliance of certain listing conditions and adopting Standard Operating Procedure for suspension and revocation of trading of shares of listed entities for such non compliances.

1. Based on general feed- back received from various stakeholders, it has been decided to streamline the processes and procedures with regard to actions for non compliances of certain listing conditions which have so far been considered as grounds for suspension of trading by the recognised stock exchanges. Accordingly, it has been decided that recognised stock exchanges shall use imposition of fines as action of first resort in case of such non compliances and invoke suspension of trading in case of subsequent and consecutive defaults. In order to maintain consistency and uniformity of approach in this regard, it has been decided to lay down, in the bye -laws of the recognised stock exchanges, the following: -
 - (i). Uniform fine structure for non-compliance of certain clauses of the listing agreement as per Annexure I;
 - (ii). Standard Operating Procedure (SOP) for suspension and revocation of suspension of trading in the shares of such listed entities as per Annexure II.
2. Further, in order to ensure effective enforcement of listing conditions, it is felt to bring in place appropriate system to enforce the liabilities of listed entities and their promoters/promoter group as disclosed to the concerned recognised stock exchange under clause 35 of the Listing Agreement. It is also felt desirable that while the relevant disclosures are not made, such promoters/promoter group should not exit from the listed entity. Accordingly, it has been decided that during the process of the suspension of the trading/ revocation of trading as provided in the SOP, the concerned recognised stock exchange shall intimate the details of the concerned non-compliant entity and its promoter /promoter group to the depositories. On receipt of such intimation, the depositories shall freeze or unfreeze, as the case may be, the entire shareholding of the promoter and promoter group in such entity.
3. Every recognised stock exchanges shall put in place the system to monitor and review the compliance of respective listing conditions by the listed entities. It is hereby further clarified that each recognised stock exchange, where the shares of the concerned entity are listed, shall enforce the compliance of respective listing conditions in terms of the requirements of this circular.



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4. The recognised stock exchanges shall disclose on its website the action/s taken against the listed entities for non-compliance/s of the listing conditions; including the details of respective requirement, amount of fine, period of suspension, freezing of shares, etc.
5. In view of the above, the recognised stock exchanges are advised to:-
 - (a) make necessary amendments to the their bye-laws, rules or regulations, for incorporation of the above fine structure and SOP immediately;
 - (b) put in place appropriate systems to monitor compliance with listing requirements and disclosure of compliance status with respect to listing requirements on their website;
 - (c) bring the provisions of this circular to the notice of its trading members and the entities that have their listed shares on the concerned recognised stock exchange and also to disseminate the same through their website ; and
 - (d) communicate to SEBI, the status of implementation of this circular in the Monthly Development Reports to SEBI.
6. Without prejudice to the provisions of the Securities Contracts (Regulation) Act, 1956 and Securities Contracts (Regulation) Rules, 1957, recognized stock exchanges may, having regard to the interests of investors and securities market, take appropriate action in line with the principles and procedures laid down in Annexure I and II and any deviation therefore should not dilute the spirit of the policy contained therein. Any necessary and reasonable deviation shall be on justifiable reasons to be recorded in writing.
7. This circular is issued in exercise of the powers conferred under sections 11(1) and 11A (2) of the Securities and Exchange Board of India Act 1992, read with section 10 of the Securities Contracts (Regulation) Act, 1956 in the interest of trade and public interest and for the protection of the interests of investors in securities and to promote the development of, and to regulate the securities market and shall come into effect immediately.
8. This Circular is also available on SEBI website at www.sebi.gov.in.

Yours faithfully,

Sunil Kadam
General Manager
email: sunilk@sebi.gov.in



Annexure I

Imposition of fine

1. The recognised stock exchange shall impose fine on listed entities for non-compliance with certain clauses of the listing agreement due to non-submission /delay in submission of reports/documents to recognised stock exchange as under:

Clause of listing agreement	Fine payable for 1st non-compliance	Fine Payable each subsequent and consecutive non-compliance
Listing agreement Clause 31 Non-submission of the Annual Report within period prescribed under this clause.	If non-compliance continues for more than 5 days, ₹1,000 per day till the date of compliance.	₹2,000 per day till the date of compliance.
Listing agreement Clause 35 Non submission of the shareholding pattern within period prescribed under this clause.	₹1,000 per day till the date of compliance and If non-compliance continues for more than 15 days additional fine of 0.1 % of paid up capital* of the entity or ₹1 crore, whichever is less.	₹2,000 per day till the date of compliance and If non-compliance continues for more than 15 days additional fine of 0.1 % of paid up capital* of the entity or ₹1 crore, whichever is less.
Listing agreement Clause 41 Non submission of the financial results within period prescribed under this clause	₹5,000 per day till the date of compliance and If non-compliance continues for more than 15 days additional fine of 0.1 % of Paid Up capital* of the entity or ₹ 1crore, whichever is less.	₹10,000 per day till the date of compliance and If non-compliance continues for more than 15 days additional fine of 0.1 % of Paid Up capital* of the entity or ₹1 crore, whichever is less.
Listing agreement Clause 49 Non submission of the Corporate governance compliance report within period provided under this clause	₹1,000 per day till the date of compliance.	₹2,000 per day till the date of compliance.

*Paid up capital as on first day of the financial year in which the non compliance occurs.



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2. The amount of fine realized as per the above structure shall be credited to the "Investor Protection Fund" of the concerned recognised stock exchange.
3. The recognised stock exchange shall disseminate on their website the names of non-compliant listed entities that are liable to pay fine for non-compliance of the above clauses of the listing agreement.
4. Every recognised stock exchange shall review the compliance status of the listed entities within 45 days from the end of the each quarter (for clauses at 35 and 49) and within 15 days from the due date of submissions under the clauses 31 and 41 and issue notices to the non-compliant listed entities to ensure compliance and pay fine as per this circular within 15 days from the date of the notice.
5. If any non-compliant listed entity fails to pay the fine despite receipt of the notice as stated above, the recognised stock exchange may initiate appropriate enforcement action including prosecution.

Creation of a new category "Z" for trading

6. The recognised stock exchange shall create a new category "Z" for trading of shares of such non-compliant listed entities wherein trades shall take place in 'trade for trade' basis.
7. If a listed entity commits two or more consecutive defaults in compliance of the aforesaid clauses of the listing agreement within 15 days from date of the notice issued under clause 4, the concerned recognised stock exchange shall, in addition to imposing fine as specified above, move the scrip of the listed entities to "Z" category.
8. The recognised stock exchange shall move back the scrip of the listed entity to the normal trading category, if it complies with respective clauses of the listing agreement and completely pays fine prescribed as above.
9. The recognised stock exchange shall give 7 days prior public notice to investors before moving the share of non-compliant entity to "Z" category or *vice versa*.



Annexure II
Standard Operating Procedure (SOP)

A. SOP for suspension of trading

1. Criteria for suspension of the trading in the shares of the listed entities:
 - (a) failure to comply with clause 31 of listing agreement with respect to submission of Annual Report for 2 consecutive financial years;
 - (b) failure to comply with clause 35 of listing agreement with respect to submission of shareholding pattern for two consecutive quarters;
 - (c) failure to comply with clause 41 of listing agreement with respect to submission of financial results for two consecutive quarters;
 - (d) failure to comply with clause 49 of listing agreement with respect to submission of corporate governance compliance report for two consecutive quarters;
 - (e) failure to submit information on the reconciliation of shares and capital audit report, for two consecutive quarters;
 - (f) receipt of the notice of suspension of trading of that entity by any other recognised stock exchange on any or all of the above grounds.
2. Before suspension of trading on any of the above grounds, except clause 1 (f), the concerned recognized stock exchange shall send written intimation to the non-compliant listed entity calling upon it to comply with respective requirement/s mentioned in clause (a) to (e) above and pay the applicable fine within 21 days of the date of the intimation.
3. If the non-compliant listed entity fails to comply with aforesaid requirement/s and pay fine despite the receipt of the intimation of the recognised stock exchange within the time as aforesaid, the concerned recognised stock exchange shall forthwith intimate the depositories to freeze entire shareholding of the promoter and promoter group of the non-compliant entity. Simultaneously, the recognised stock exchange shall give a 21 days (prior to the proposed date of suspension) public notice on its website proposing suspension of trading in the shares of the non-compliant listed entity.
4. If the non-compliant listed entity complies with respective requirement/s and pays fine five days before the proposed date of suspension, the trading in its shares shall not be suspended on the proposed date and the concerned recognised stock exchange shall intimate to the depositories to unfreeze, after one month from the date of compliance, the shares of the promoter and promoter group of the entity. Simultaneously, the recognised stock exchange shall give a public notice on its website informing compliance by the entity.
5. In case of failure to comply with respective requirement/s and/or pay fine as aforesaid, the recognised stock exchange shall suspend the trading in the shares of a non-compliant listed entity. The entire shareholding of promoter/promoter group of



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such non-compliant listed entity shall remain frozen till expiry of three months from the date of revocation of suspension.

6. While suspending trading in the shares of the non-compliant entity the recognised stock exchange shall send intimation of suspension to other recognised stock exchanges where the shares of the non-compliant entity are listed. On receipt of such intimation the other recognised stock exchanges shall also suspend trading in the shares of the entity.
7. After 15 days of suspension, trading in the shares of non-compliant entity may be allowed on the "Trade for Trade" basis, on the first trading day of every week for 6 months. In this regard, the recognised stock exchange shall give instruction to its trading members/stock brokers to obtain confirmation from clients before accepting an order for purchase of shares of non-compliant entity on the 'Trade for Trade' basis.
8. The recognised stock exchange shall put in place a system to publish caution message "*Trading in shares of the company is under 'suspension and trade to trade basis' and trading shall stop completely if the company remains not compliant for six months*" on trading terminals.

B.SOP for revocation of suspension of trading

1. If the non-compliant listed entity complies with the aforesaid requirement/s and pays applicable fine within three months from the date of suspension, the recognized stock exchange may revoke the suspension of trading of its shares.
2. If the non-compliant listed entity complies with the aforesaid requirement/s and pays applicable fine after three months from the date of suspension, the recognized stock exchange may revoke the suspension of trading of its shares after a period of three more months from the date of such compliance.
3. The recognised stock exchange shall, 7 days prior to revocation of suspension of trading in shares of the entity, issue public notice on its website.
4. After 3 months from the date of revocation of the suspension, the recognised stock exchange shall send intimation to the depositories to unfreeze the shares of the promoter and promoter group.
5. After revocation of suspension, the trading of shares shall be permitted only in the 'Trade for Trade' basis for a period of three months from the date of revocation and after this period of three months, trading in the shares of the entity shall be shifted back to the normal trading category, after giving prior notice of 7 days to it.
