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LISTING AGREEMENT

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ABSTRACT

The prime objective of admission of securities to dealings on the stock exchange is to provide liquidity and marketability and also to provide a mechanism for effective management of trading.

Thus, listing is the admission of securities to dealings on a recognized stock exchange. For a company to be listed on a stock exchange, the company has to enter into a listing agreement with the respective stock exchange(s). Listing agreement provides conditions to be complied with including the norms for better corporate governance.

Listing agreement also work as a link between company and investor because it requires the company to provide basic information to the shareholder and grievance redressal mechanism.

In addition, a company intending to have its share listed has to comply with the listing requirements prescribed by the stock exchange. A company seeking listing of their securities on the stock exchange is required to enter into a formal listing agreement with the stock exchange. The listing agreement specifies all the quantitative and qualitative requirements to be continuously complied with by the issuer for continued listing. The stock exchange monitors such compliance and companies who do not comply with the provisions of listing agreement may be suspended from trading on the stock exchange. The listing agreement is being increasingly used a means to improve corporate governance.

INTRODUCTION

“Listing” denotes the permission granted by a recognised stock exchange to a company for the purpose of company’s particular securities being traded or dealt in on the stock exchange.

“Listing agreement” is an agreement between the company and the stock exchange with which the company is listed and establishes the relationship between them.

Important Provisions of the listing agreement

- That the company shall comply with all the provisions of applicable statutory enactments governing the securities.
- To comply with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- That it shall pay the listing and other fees to the stock exchanges as may be specified from time to time.
- That it shall keep intimated the stock exchange about change in any information/ details of the company.

Only public companies are allowed to list their securities in the stock exchange. Private limited companies cannot get listing facility. They should first convert themselves into public limited companies and their articles of association should also contain prohibitions as laid down in the listing agreement and as applicable to public limited companies.

LITERATURE REVIEW

Jairus Banaji et.al (2011) interviewed over 170 business representatives, and concluded the ineffectiveness of boards in Indian companies, the lack of transparency surrounding transactions within business groups. The study concludes that regulatory intervention needs a much stronger definition of 'independence' for directors, in line with best practice definitions how adopted in the US and UK, as well as the mandatory requirements.

Bala N balasubramanan et.al(2009) studied the corporate governance practices of firms in India prior to clause 49 & other regulations of listing agreement made mandatory to all listed companies. The study



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found evidence of a positive relationship for an overall governance index and for an index covering shareholder rights. The association was found stronger for more profitable firms and firms with stronger growth opportunities.

Bruno, Valentina and Claessens, Stijn et.al (2007) study showed that corporate governance plays a crucial role in efficient company monitoring and shareholder protection, and consequently positively impacts valuation. Listing regulations compilation from time to time leads to good corporate governance. Corporate governance appears more valuable for companies that rely heavily on external financing; consistent with the hypothesis that corporate governance main role is to protect external financiers.

Shermon T, analysed, using the regulations provisions & procedures of listing motivates the overall trading in the stock exchanges. The study concludes that corporate governance is still in a very nascent stage in the Indian industry. The decision and policy making is still taken mostly as a routine matter.

Iraj Hashi et.al (2003) studied the differences between the systems of corporate governance existing in various transition countries. It aimed at comparing the legal framework for corporate governance in selected transition economies in order to highlight the progress made so far as well as the shortcomings of the existing framework.

RESEARCH METHODOLOGY

- Studying the concepts of capital markets
- Visiting various listed companies and getting informations of listings
- Gathering informations from books of markets & securities
- Referring companies act 2013
- Addressing of informations from sources of internet wherever available
- Being inversant with the SCRA (Securities contract regulation act) & SEBI act (Stock exchange board of india)
- Referring the site of Ministry of corporate affairs for the amendments
- SEBI (Listing Obligations and Disclosure Requirements) Regulations

OBJECTIVES

- To have conceptual understanding of listing of securities and various clauses/ regulations of Listing agreement.
- To be able to have depth knowledge of Listing and formats of listed companies
- The important regulations of listing
- The mandatory requirements of SEBI amidst the concept of listing
- Responsibilities of companies with the percept of regulations of SEBI
- Applicability structure on various points of listing
- Major role of listing

DATA ANALYSIS

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

1. Regulation 3

Applicable on:

- Specified securities listed on the main board
- Non convertible instruments
- IDRs
- Securitised debt instruments
- Units of mutual funds

2. Regulation 4

Disclosure and Transparency

Timely and accurate disclosure of all material matters including financial performance, ownership and governance in the following manner:

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- Disclosure in accordance with the prescribed standards of accounting, financial and non-financial disclosures
- Channels of information to provide equal, timely and cost efficient access to the users
- Minutes of meeting to be maintained explicitly recording dissenting opinions, if any.

Responsibilities of BOD

- Disclosure of interest by directors and KMP on behalf of third parties
- To maintain operational transparency as well as confidentiality of information

Shareholders' Rights

Shall seek to protect and facilitate the exercise of the rights of the shareholders.

3. Regulation 5- General Obligation of Compliance

All directors, promoters and KMP to ensure compliance with obligations or responsibilities assigned to them under these regulations.

4. Regulation 6- Compliance Officer and his Obligations

Every listed company to appoint a qualified CS as compliance officer in addition to the main CS.

He shall be responsible for:

- Ensuring conformity with the regulatory provisions applicable to a listed company
- Coordination and reporting to board, stock exchanges and depositories with respect to compliances
- Correct procedures have been followed to ensure correctness, authenticity of information being supplied to the concerned agencies.
- Monitoring email address of grievance redressal division.

5. Regulation 10- Mandatory Filing of Information with the stock exchange in electronic mode

All reports, statements, documents, filings etc. with the stock exchanges to be in electronic mode.

6. Regulation 13- Grievance Redressal Mechanism

Every listed company to ensure that adequate steps are taken for expeditious redressal of investor complaints and that it is registered on the SCORES (SEBI Complaints Redressal System) Platform or any other such platform of SEBI.

The listed entity to file a statement with the stock exchange on quarterly basis within 21 days from the end of each quarter giving details of complaints pending in the beginning of the quarter, received during the quarter, resolved during the quarter and remained pending at the end of the quarter.

7. Regulation 28- In- Principle Approval of Recognised Stock Exchanges

The listed company before issuing securities shall obtain an in-principle approval from all recognised stock exchanges having nationwide terminals or from the concerned stock exchanges where the securities are to be listed.

8. Regulation 29- Prior Intimations

Atleast two clear working days before the date of the board meeting in case the agenda includes discussions and approvals of any price sensitive information such as issue of capital, buy back of securities, declaration of dividend, bonus shares etc.

Atleast 5 clear working days before the date of board meeting in case of consideration and approval of financial results.

A general notice about the board meeting must also be given to the members of the company through newspaper advertisement.

9. Regulation 30- Disclosure of Events or Information

- Disclosure of any material (in the opinion of BOD) event/information

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- Events specified in Para A of Schedule III
- Events specified in Part B of Schedule III

10. Regulation 31- Holding of specified securities and shareholding pattern

To submit to the stock exchange a statement of securities and shareholding pattern separately for each class of securities as:

- One day prior to listing of securities
- Within 21 days of end of each quarter
- Within 10 days of any capital restructuring resulting in a change exceeding 2% of the paid up capital

The listed company shall ensure that 100% of the promoter shareholding is in dematerialised form.

11. Regulation 31 A- Disclosure of class of shareholders and conditions for reclassification

All entities shall disclose the shareholding pattern of promoters separately on the websites on stock exchanges having nationwide terminals and any changes to be updated regularly.

12. Regulation 33- Financial Results

Every company will furnish unaudited financial results on quarterly basis (except the last quarter) to the stock exchanges in the prescribed proforma within 45 days of the end of the quarter after the BOD has taken on record these results. These results shall be certified by CEO/CFO of the company.

These unaudited quarterly results shall be subjected to limited review by the auditors of the company and a copy of the review report shall be submitted to the stock exchange within 45 days after the close of the quarter.

In respect of the last quarter, the company shall publish audited annual results within two months from the close of the quarter.

Intimation to the stock exchanges atleast 5 days in advance regarding the date of such board meeting where the unaudited quarterly results are to be considered. Also advertisement in one English newspaper and in a vernacular language to be published regarding the date of the aforesaid board meeting.

The company shall announce the unaudited quarterly financial results to the stock exchange within 15 minutes of closure of the board meeting. An announcement of the results shall also be made in two newspapers i.e. English and vernacular language within 48 hours of the board meeting.

13. Regulation 34

Annual Report

Annual report after being adopted and approved in the AGM to be submitted to stock exchange within 21 working days. It shall also include MDA report.

Business Responsibility Report

Business Responsibility Report as a part of Annual Report in the prescribed format describing the initiatives taken by it from environmental, social and governance perspective. Applicable only for the top 500 listed companies based on market capitalisation.

14. Regulation 36- Documents and information to shareholders

- Soft copies of full annual report to all shareholders whose email ids are registered with the company
- Hard copies of abridged annual report to shareholders whose email ids are not registered with the company
- Hard copies of full annual report to those shareholders who request for the same.

15. Regulation 37- Approval of draft scheme of arrangement

The company shall file any scheme/petition proposed to be filed before NCLT/ any court with the stock exchanges for approval before it is presented to any court/ NCLT.

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Further, an auditor's certificate to the effect that the accounting treatment contained in the scheme is as per the applicable accounting standards.

16. Regulation 38- Conditions for continuous listing- Minimum public shareholding

All listed companies are required to maintain minimum level of public (non-promoter) shareholding at 25% of the total number of issued shares of the company for the purpose of continuous listing. Before the commencement of this regulation, any company which has public shareholding below 25% shall increase it to 25% within 3 years.

In other cases, where the public shareholding in a listed company falls below 25% at any time, such company shall raise it to 25% within 1 year from the date of such fall.

17. Regulation 40- Certificate regarding dispatch of security certificates

Every listed company shall obtain a certificate from practising CS within 1 month of the end of each half year certifying that all the certificates have been issued within one month of the date of lodgement for transfer and the certificate shall be filed with the stock exchanges simultaneously.

18. Regulation 42- Book closure and record date

At least 7 working days notice to be given to all stock exchanges when the company decides book closure at the time of AGM or fixes a record date at any time during the year. In addition, notice of book closure/record date is also to be given as newspaper advertisement at least 7 days before the relevant date.

19. Regulation 46- Maintenance of a website

The company shall maintain a functional website containing the basic information about the company.

The company has to ensure that the contents of the website are correct and that they are updated regularly with any change in the content of the website being effected within 2 working days from the date of such change.

CONCLUSION & FINDINGS

Listing of securities with stock exchange is a matter of great importance for companies and investors, because this provides the liquidity to the securities in the market.

Listing of securities on Indian stock exchange, thus, is essentially governed by the provisions in the companies act, 2013, the securities contracts (regulation) Act, 1956, the securities contracts agreement entered into by the issuer and stock exchange and circulars/ guidelines issued by the Central government and SEBI.

According to the aforementioned SEBI regulations, a company has to file a draft offer document along with prescribed fees to SEBI through the lead merchant banker, at least thirty days prior to registering the prospectus with the register of companies. The company has to obtain in-principle approval from recognised stock exchanges in which the company proposes to get its securities listed. A company is required to complete the allotment of securities offered to the public and /or refund the application moneys within fifteen days from the date of closure of the issue.

For the purpose of listing, a company has to follow all the SEBI Regulations and legal provisions must be complied with.

REFERENCES

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