



A. K. LABH & Co.

Company Secretaries

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Major amendments in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

vide Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2021

(Notification dated 03.08.2021 / The provisions will be effective from 01.01.2022)

Regulation	Existing Provision	Amendment	Remarks
16(1)(b)(iv) (Eligibility criteria for Independent Directors)	16(1)(b)(iv) who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the <u>two</u> immediately preceding financial years or during the current financial year;	<u>“two”</u> to be replaced with <u>“three”</u>	Now, "Independent Director" means a non-executive director, other than a nominee director of the listed entity who, apart from receiving director's remuneration, <i>inter alia</i> , has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the <u>three</u> immediately preceding financial years or during the current financial year;



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<p>16(1)(b)(v) (Eligibility criteria for Independent Directors)</p>	<p>16(1)(b)(v) none of whose relatives <u>has or had</u> <u>pecuniary relationship or</u> <u>transaction with the listed</u> <u>entity, its holding,</u> <u>subsidiary or associate</u> <u>company, or their</u> <u>promoters, or directors,</u> <u>amounting to two per cent.</u> <u>or more of its gross</u> <u>turnover or total income</u> <u>or fifty lakh rupees or</u> <u>such higher amount as</u> <u>may be prescribed from</u> <u>time to time, whichever is</u> <u>lower, during the two</u> <u>immediately preceding</u> <u>financial years or during</u> <u>the current financial year;</u></p>	<p>The clause to be replaced with : “ none of whose relatives— (A) is holding securities of or interest in the listed entity, its holding, subsidiary or associate company during the three immediately preceding financial years or during the current financial year of face value in excess of fifty lakh rupees or two percent of the paid-up capital of the listed entity, its holding, subsidiary or associate company, respectively, or such higher sum as may be specified; (B) is indebted to the listed entity, its holding, subsidiary or associate company or their promoters or directors, in excess of such amount as may be specified during the three immediately preceding financial years or during the current financial year; (C) has given a guarantee or provided any security in</p>	<p>Eligibility criteria for Independent Directors have become more stringent now as the ambit of association of relatives of the Independent Directors with the Company, its holding, subsidiary or associate company or their promoters or directors have been widened making persons ineligible to act as Independent Directors.</p>
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connection with the indebtedness of any third person to the listed entity, its holding, subsidiary or associate company or their promoters or directors, for such amount as may be specified during the three immediately preceding financial years or during the current financial year; or

(D) has any other pecuniary transaction or relationship with the listed entity, its holding, subsidiary or associate company amounting to two percent or more of its gross turnover or total income:

Provided that the pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company or their promoters, or directors in relation to points (A) to (D) above shall not exceed two percent of its gross turnover or total income or fifty lakh rupees or such higher amount as may be specified from time to time, whichever is lower.



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<p>16(1)(b)(vi) (Eligibility criteria for Independent Directors)</p>	<p><i>16(1)(b)(vi) who, neither himself, nor whose relative(s) —</i></p> <p>(A) holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;</p>	<p><i>16(1)(b)(vi) who, neither himself/herself, nor whose relative(s) —</i></p> <p>In point (A), after the words “associate company” and before the words “in any”, the words and symbols “or any company belonging to the promoter group of the listed entity,” shall be inserted.</p> <p>A new proviso shall be inserted namely:— “Provided that in case of a relative, who is an employee other than key managerial personnel, the restriction under this clause shall not apply for his / her employment.”</p>	<p>Now, the person will not be eligible to become Independent Directors if he/she or his/her relative(s) holds or has held the position of a KMP or has been an employee of not only the listed Company or its holding, subsidiary or associate Company, but also in any company belonging to the promoter group of the listed Company, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed.</p> <p>However, in case of relative, the restrictions apply only in case of holding the position of that of a KMP only.</p>
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<p>17(1C) (Appointment of new Director)</p>	<p>New insertion</p>	<p>The listed entity shall ensure that approval of shareholders for appointment of a person on the Board of Directors is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.</p>	<p>Now, the appointment of a new Director need to be confirmed by the shareholders within a time period of three months from the date of appointment by the Board. The provision is in variance with the provisions of the Companies Act, 2013 and the listed entity need to comply with it.</p>
<p>19(1)(c) (Constitution of NRC)</p>	<p>19(1)(c) At least fifty percent of the directors shall be independent directors and in case of a listed entity having outstanding SR equity shares, two thirds of the nomination and remuneration committee shall comprise of independent directors.</p>	<p>In regulation 19, in sub-regulation (1), in clause (c),— a. the words “fifty percent” shall be substituted by the words “two-thirds”. b. the symbols and words “and in case of a listed entity having outstanding SR equity shares, two thirds of the nomination and remuneration committee shall comprise of independent directors” shall be omitted.</p>	<p>Like Audit Committee, NRC committee should also comprise of, with at least two third independent directors.</p>



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23(2) (Related Party Transactions)	New Insertion	In regulation 23, under sub-regulation (2), a new proviso shall be inserted namely:— “Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.”	All related party transactions require prior approval of the Audit Committee. However, with this amendment, only independent directors in the Audit Committee will be involved in granting such approvals.
25(2A) (Appointment / Re- appointment of Independent Directors)	New Insertion	The appointment, re-appointment or removal of an independent director of a listed entity, shall be subject to the approval of shareholders by way of a special resolution.	Now, like re-appointment and removal, shareholders’ approval in the form of Special Resolution would also be needed in case of appointment of a new Independent Director.
25(6) (Vacancy of Independent Director)	25(6) An independent director who resigns or is removed from the board of directors of the listed entity shall be replaced by a new independent director by	In sub-regulation (6),— i. the words “the immediate next meeting of the board of directors or” appearing after the words “later than the” and before the	Now, in case of requirement to fill any vacancy of Independent Director, the said need to be done within three months of the date of



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	<p>listed entity at the earliest but not later than the immediate next meeting of the board of directors or three months from the date of such vacancy, whichever is later:</p> <p>Provided that where the listed entity fulfils the requirement of independent directors in its board of directors without filling the vacancy created by such resignation or removal, the requirement of replacement by a new independent director shall not apply.</p>	<p>words “three months” shall be omitted.</p> <p>ii. the symbol and words “, whichever is later” appearing after the words “such vacancy” and before the proviso shall be omitted.</p>	<p>arising of such vacancy.</p>
<p>25(10) (Directors and Officers Insurance)</p>	<p>25(10) With effect from October 1, 2018, the top 500 listed entities by market capitalization calculated as on March 31 of the preceding financial year, shall undertake Directors and Officers insurance (‘D and O</p>	<p>In sub-regulation (10), the word, numbers and symbol “October 1, 2018“ shall be substituted with the word, numbers and symbol “January 1, 2022” and the number “500” shall be substituted with the number “1000”.</p>	<p>Now, it is applicable to top 1000 companies instead of Top 500 companies by market capitalization. Further, it will be applicable w.e.f. 01.01.2022 instead of 01.10.2018.</p>



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	insurance’) for all their independent directors of such quantum and for such risks as may be determined by its board of directors.		
25(11) (Cooling period for Independent Directors)	New Insertion	No independent director, who resigns from a listed entity, shall be appointed as an executive / whole time director on the board of the listed entity, its holding, subsidiary or associate company or on the board of a company belonging to its promoter group, unless a period of one year has elapsed from the date of resignation as an independent director.	Now, Independent Directors can not be appointed in executive capacity in the Board of the Company or its holding, subsidiary or associate company or on the Board of a company belonging to promoter group for a period of next one year from the date of his resignation from the independent director of the Company.
36(3) (Information to shareholders)	36(3) In case of the appointment of a new director or re-appointment of a director the shareholders must be provided with the	In regulation 36, in sub-regulation (3),— a. in clause (d), after the words “the board”, the words “along with listed entities from which the	Now, in case of director seeking appointment/ re-appointment in the AGM, alongwith the names of listed entities in which the person also



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	<p>following information:</p> <p>(a) a brief resume of the director;</p> <p>(b) nature of expertise in specific functional areas;</p> <p>(c) disclosure of relationships between directors inter-se;</p> <p>(d) names of listed entities in which the person also holds the directorship and the membership of Committees of the board; and</p> <p>(e) shareholding of non-executive directors in the listed entity, including shareholding as a beneficial owner.</p>	<p>person has resigned in the past three years” shall be inserted.</p> <p>b. after clause (e), a new clause (f) shall be inserted namely:—</p> <p>“(f). In case of independent directors, the skills and capabilities required for the role and the manner in which the proposed person meets such requirements.”</p>	<p>holds the directorship and the membership of Committees of the board, names of the listed entities from which the person has resigned in the past three years; also need to be informed to the shareholders vide the Notice of the AGM.</p> <p>Further, in case of Independent Directors, the skills and capabilities required for the role and the manner in which the proposed person meets such requirements; also need to be informed to the shareholders vide the Notice of the AGM.</p>
Schedule II (Role of NRC)	New Insertion	In Schedule II, in Part D, in Para A, after clause (1), a new sub-	Role of NRC has been enhanced in case of



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		<p>clause (1A) shall be inserted namely:—</p> <p>(1A) For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may :</p> <p>a. use the services of an external agencies, if required;</p> <p>b. consider candidates from a wide range of backgrounds, having due regard to diversity; and</p> <p>c. consider the time commitments of the candidates.</p>	<p>nominating appointment of an Independent Director to the Board.</p>
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<p>Schedule III (Reg. 30 : Disclosures)</p>	<p>Schedule III, Part A, Para A, Clause (7B) : Resignation of independent director including reasons for resignation :</p> <p>In case of resignation of an independent director of the listed entity, within seven days from the date of resignation, the following disclosures shall be made to the stock exchanges by the listed entities:</p> <p>i. Detailed reasons for the resignation of independent directors as given by the said director shall be disclosed by the listed entities to the stock exchanges.</p>	<p>In Schedule III, in Part A, in Para A, in clause (7B),—</p> <p>a. in sub-clause (i),—</p> <p>i. the words “The letter of resignation along with” shall be inserted before the words “detailed reasons”.</p> <p>ii. the words “of independent directors” appearing after the word “resignation” and before the words “as given” shall be omitted.</p> <p>iii. the words “shall be disclosed by the listed entities to the stock exchanges” appearing after the word “director” shall be omitted.</p>	<p>Now, the copy of the letter of resignation also need to be furnished to the stock exchanges alongwith the detailed reasons for the resignation of any independent directors.</p>
<p>Schedule III (Reg. 30 : Disclosures)</p>	<p>New Insertion</p>	<p>In Schedule III, in Part A, in Para A, in clause (7B), after sub-clause (i), a new sub-clause (ia) shall be inserted namely —</p>	<p>Now, alongwith the copy of the letter of resignation and the detailed reasons for the resignation of any</p>



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		(ia) Names of listed entities in which the resigning director holds directorships, indicating the category of directorship and membership of board committees, if any.	independent director, names of listed entities in which the resigning director holds directorships, indicating the category of directorship and membership of board committees, if any, also need to be furnished to the stock exchanges.
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