

Corpsec Hotline

April 11, 2008

SEBI INTRODUCES CHANGES TO CORPORATE GOVERNANCE REQUIREMENTS

Clause 49 of the Listing Agreement i.e. an agreement between the company and the stock exchange on which the securities of the company are listed, deals with the corporate governance compliances that an Indian listed company is required to fulfill at time of getting listed with the stock exchange. The Securities and Exchange Board of India ("SEBI"), vide circular SEBI/CFD/DIL/CG/1/2004/12/10 dated October 29, 2004, had issued the revised Clause 49 of the Listing Agreement, which came into effect from January 1, 2006. The revised Clause 49 has been amended by SEBI vide circular issued on April 8, 2008 as under:

Mandatory Provisions:

Composition of the Board of Directors - Independent Directors

Every company is required to have a combination of executive and non-executive directors on the board of the company ("Board").

The requirement of the number of independent directors on the Board depends on whether the chairperson of the Board is an executive director or a non-executive director. An independent director is a non-executive director fulfilling requisite criteria as provided under Clause 49 of the Listing Agreement. If the chairperson of the Board is a non-executive director, then at least one-third of the Board should comprise of independent directors and in case he is an executive director, at least half of the Board should comprise of independent directors.

This have been further modified to include that in case where the chairperson is a non-executive director but is a promoter or is related to promoters or persons occupying management positions at the Board level or at one level below the Board, then at least one-half of the board of the company should consist of independent directors. Further, the minimum age for independent directors has been fixed to 21 years.

In order to ensure that the requisite number of independent directors is always maintained on the Board of the company; SEBI has provided that the gap between resignation/removal of an independent director and appointment of another independent director in his place shall not exceed 180 days. However, this provision would not apply in case a company fulfils the minimum requirement of independent directors in its Board, as may be applicable to such company.

Reporting Requirements

In order to bring more transparency in the management of the company, in addition to existing disclosures that needs to be furnished to the shareholders and to the stock exchanges, SEBI has provided that a company will also be required to make disclosures of relationships between directors inter-se in the annual report, notice of appointment of a director, prospectus and letter of offer for issuances and any related filings made to the stock exchanges where the company is listed.

Non-mandatory provisions:

Clause 49 of the Listing Agreement also lists down a few non mandatory provisions. Under the non mandatory provisions of the amended clause, SEBI has suggested that the person who is being appointed as an independent director should possess the requisite qualifications and experience which would be of use to the company and which, in the opinion of the company, would enable him to contribute effectively to the company in his capacity as an independent director.

Conclusion

The amended provisions will lead to more independent management of the affairs of a listed company and further protects the interest of public shareholders.

Source: SEBI: Circular/SEBI/CFD/DIL/CG/1/2008/08/04

- Charul Gupta & Vyapak Desai

You can direct your queries or comments to the authors

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US

Research Papers

Little International Guide (India) 2024

November 08, 2024

Unmasking Deepfakes

October 25, 2024

Are we ready for Designer Babies

October 24, 2024

Research Articles

The Bitcoin Effect

November 14, 2024

Acquirers Beware: Indian Merger Control Regime Revamped!

September 15, 2024

Navigating the Boom: Rise of M&A in Healthcare

August 23, 2024

Audio

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

Renewable Roadmap: Budget 2024 and Beyond - Part I

August 26, 2024

Renewable Roadmap: Budget 2024 and Beyond - Part II

August 26, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

Click here to view Hotline archives.

Video

"Investment return is not enough" Nishith Desai with Nikunj Dalmia (ET Now) at FI8 event in Riyadh

October 31, 2024

Analysing SEBI's Consultation Paper on Simplification of registration for FPIs

September 26, 2024

responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Scope of judicial interference and inquiry in an application for appointment of arbitrator under the (Indian) Arbitration and Conciliation Act, 1996

September 22, 2024