



भारतीय प्रतिभूति और विनिमय बोर्ड Securities and Exchange Board of India

CIRCULAR

CIR/CFD/DIL/4/2014

August 01, 2014

To
All Recognized Stock Exchanges

Dear Sir/Madam,

Sub: Monitoring of Compliance by Stock Exchanges

1. SEBI, vide Circular No. CIR / MRD / DSA / 31 /2013 dated September 30, 2013 and Circular No. CIR / CFD / POLICYCELL / 13 / 2013 dated November 18, 2013 advised stock exchanges to, inter-alia, put in place a system to monitor and review the compliance of listing conditions by listed companies. Clause 5.2 of the Circular dated November 18, 2013 also advised stock exchanges to devise framework to detect any non-compliance / violation of the applicable laws.
2. SEBI vide circular dated April 17, 2014 has also made certain amendments to the Clause 49 of the Listing Agreement. The amended Clause 49, inter-alia, provides for Principles of Corporate Governance to be mandatorily complied with by listed companies.
3. The Principles of Corporate Governance, inter-alia, provide that shareholders should have opportunity to participate effectively and vote in general shareholder meetings. These principles also require companies to facilitate effective shareholder participation and exercise of ownership rights and require that company procedures shall not make it unduly difficult or expensive to cast votes.
4. In this regard, it is observed that some listed companies belonging to a common group have held their AGMs, with a time gap of 15 minutes between two AGMs. It is also observed that these companies were formed out of demergers and had 80% common shareholding thereby leaving only 15 minutes each for the common shareholders to attend the AGM of these companies.



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5. It is observed that allocation of 15 minutes for conducting AGM of a public listed company having more than one lakh shareholders does not appear to be adequate enough to facilitate a constructive discussion on various matters transacted at the AGM. Such a practice affects the rights of investors to seek clarifications/hold discussions and prima-facie appears to be prejudicial to the interest of the investors.
6. In view of the above, Clause 5.2 of the Circular dated November 18, 2013 and the provisions of the revised Clause 49 which are scheduled to take effect from October 01, 2014, all recognised stock exchanges are advised to step up and equip their monitoring framework to identify and monitor such practices and to ensure that requirements laid down by Principles of Corporate Governance in the revised Clause 49 of the Listing Agreement are followed in letter and spirit.
7. This circular is issued in exercise of the powers conferred under Section 11 read with Section 11A of the Securities and Exchange Board of India Act, 1992.
8. Stock Exchanges are advised to ensure compliance with this circular.
9. This circular is available on SEBI website at www.sebi.gov.in under the categories “Legal Framework” and “Issues and Listing”.

Yours faithfully,

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