

<b>SEBI</b> CA. Bhavesh Vora, CA Jayant Thakur	
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## SEBI issues guidance and timelines on determination and disclosure of material events

SEBI has notified the SEBI (Listing Obligations and Disclosure Requirements), 2015 (LODR Regulations) under which, inter alia, an important requirement is disclosure of material events in a timely manner and giving the details specified. Pursuant to this, in September 2015, SEBI had issued a circular laying down guidelines on how material events would be determined, the formats in which disclosure of material events would be made and how to decide when a material event has taken place.

The LODR Regulations have been recently amended on 14th June 2023 under which several changes were made in the requirements relating to disclosure of material events. Following this, vide circular dated 13th July 2023, SEBI has provided comprehensive guidance in relation to the manner, timing and related matters relating to disclosure of material events under the amended Regulations. The circular has come into effect from 15th July 2023.

The circular/guidance provides guidance on four major aspects relating to such disclosures.

- 1) Details to be provided while making disclosures.
  - a) Often, there is lack of clarity on what specified items of information should be provided while making a disclosure. This results in lack of consistency in provision of information by different companies. In view of this, SEBI has provided specific items of information that should be given in respect of each major events.
- 2) Timelines for making disclosures in respect of different events.
  - a) On an overall basis, certain timelines have already been laid down in the LODR Regulations themselves in terms of outer time limits for making disclosures. However, the circular goes into more detail in respect of specific events and the timelines for disclosure of such events.
- 3) When can an event or information can be said to have occurred?
  - a) Often there is lack of clarity, and hence uncertainty and dispute, on when a particular event can be said to have taken place. While many events are complex and hence it may be difficult to lay down with absolute certainty as to the specific time when the event has taken place, the circular nonetheless gives guidance to help determine the timeline to reduce uncertainty.
- 4) Criteria for determination of materiality of events/information
  - a) The amendments to the LODR Regulations have given more specific criteria as cut off points for determination on whether an item is material or not. The circular goes into more detail in this regard.

While requirements relating to disclosure already existed earlier, the amendments of June 2023 have expanded/modified the items and requirements of disclosure. The circular not only fine tunes disclosures relating to items already existing earlier but also gives specific guidance and other requirements for the new or amended items.

The disclosure requirements have been divided into two parts, similar to the scheme of the LODR Regulations. The first part relate to those items that are deemed to be material and do not leave any scope for discretion on determination whether the item is material or not. The second part leaves some scope for discretion though the amended LODR Regulations do provide certain cut off points for determination in respect of certain events. The circular too accordingly divides the disclosure requirements in a similar manner on items that are mandatorily material and those that leave some discretion.

A detailed table gives specific timelines for disclosure for various events.

The amended LODR Regulations have now covered certain items of disclosure on a retrospective basis in the sense that even subsisting events that may have taken place in the past would require disclosure. In respect of these matters, a short time has been given for making of the disclosure. These may be particularly important for entities having such subsisting events and hence failure to disclose within the specified timelines may result in penal action under law.

Disclosure of material events is required for several reasons. One is to ensure that shareholders and public are updated of material developments that may help in their taking of decision with regard to their investments and generally be aware of significant events in the company. Another important reason is that timely disclosure ensures that leakage of information or even rumors are avoided as these

create not only uncertainty but give an unfair and illegal edge to those who come to know of such event. This is particularly since such material events may be price sensitive.