



# Sebi proposes to revamp delisting rules to improve disclosure norms

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## Synopsis

The board of directors while communicating its decision of granting approval of delisting should also disclose about the merchant banker's due-diligence as well the audit report to the bourses.

Securities and Exchange Board of India on Friday proposed a revamp of the delisting rules that will put bigger responsibilities on companies' independent directors in the process and improve disclosure requirements. The capital markets regulator has asked independent directors to give recommendations with reasons on why they are for or against the delisting plan. Companies will



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also have to disclose their voting pattern in the delisting decision.

In its discussion paper released on Friday, the regulator also said the outcome of reverse book building(RBB) in terms of its success or failure should be announced within two hours of the closure of the tendering period. Also, unconfirmed bids and order should not be displayed in the stock exchange reverse book building window.

The move comes in the wake of the recent Vedanta delisting issue, where there was a lot of confusion as the bankers to the offer were unable to provide final confirmation of the bids received by the stock exchanges till late night on the last day of reverse book building.

Sebi has proposed that while tendering shares investors can mark a lien in favour of the special depositories account opened for delisting rather than depositing the equity shares.

The regulator said lien is an efficient process having feature of complete audit

trail without actually transferring the shares to the beneficiary account.

“The requirement of disclosing only confirmed bids will reduce the risk of share price volatility due to potential mis-information. The tendering bids through lien mechanism and ability to announce outcome of the offer within two hours of bid closing may need to be examined from a logistical and operational perspective,” said Mehul Savla, partner, RippleWave Equity Advisors.

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In case the delisting fails, the expenses relating to it should be borne by the promoter.

Companies may be required to do parallel delisting of depository receipts issued overseas. At present, rules are silent on the delisting of depository receipt from foreign jurisdictions subsequent to the delisting of shares of company in India.

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