

Sebi asks firms to improve quality of disclosures

The Securities and Exchange Board of India (Sebi) has directed stock exchanges to strengthen their surveillance system to ensure the disclosure standard of listed companies is accurate and adequate.

The move is aimed at ensuring that complete and timely information reaches investors, to enable them take informed decisions. Sebi feels the disclosure standards for companies and the monitoring by exchanges is not up to the mark.

“The contents of the disclosures made by such companies are not adequate and accurate. Therefore, investors are unable to take informed investment decisions based on such disclosures,” Sebi said in a circular on Monday. “The current monitoring mechanism of stock exchanges to ascertain the adequacy and accuracy of disclosures made in compliance with the Listing Agreement needs to be made more effective.”

A listing agreement is a contract between a stock exchange and a listed company. It comprises about 50 clauses — on corporate governance and information-based disclosures such as filing of results, shareholding data — which listed firms have to follow.

The market watchdog has asked exchanges to set up separate monitoring cells, with adequate personnel, to effectively monitor the adequacy and accuracy of disclosures by listed companies. A framework to detect non-compliance will also have to be set up.

At an event last week, U K Sinha, chairman, Sebi had expressed displeasure over non-compliance of various clauses with the listing agreement by a large number of listed companies.

“You will be perhaps shocked to know that today there are 1,100-plus listed companies which are non-compliant for the requirement of clause 35 of the listing agreement...and there are 900 companies which are non-compliant on the requirement of corporate governance- clause 49....I am sure you will accept that this can't be allowed to go on,” he had said.

It has also asked exchanges to treat inadequacy and inaccuracy of disclosure as non-compliance and file an ‘exception report’ with details companies that don't respond on clarifications sought by exchanges. Sebi has also asked exchanges to have details of promoters, directors and other key personnel, responsible for ensuring compliance at listed companies.

The regulator has also asked exchanges to enhance ‘quality and substantive’ compliance of various clauses of the listing agreement. For instance, exchanges will have to keep a tab on the various developments of listed companies across media platforms and “ensure that any important information has not been omitted to be disclosed by the company.”

(Business Standard)