



Voices on Reporting

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Agenda

01 SEBI Updates

02 IASB and IFRS updates

02 Other regulatory updates

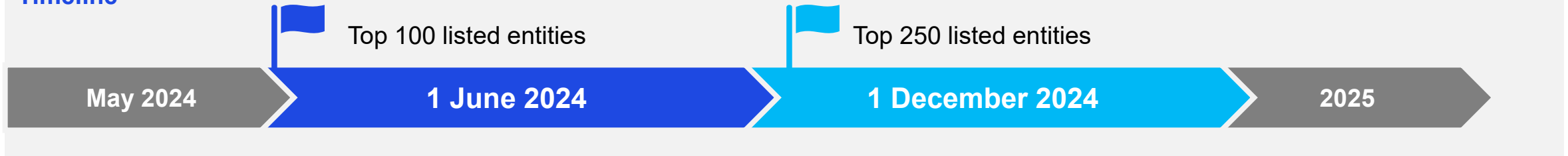
SEBI updates



Framework for verification market rumours under LODR Regulations

Verification of market rumours by equity listed entities (Regulation 30(11))¹

Timeline



Specified criteria for rumour verification in terms of material price movement (*First proviso to Regulation 30(11)*)

Promoters, directors, KMP and senior management to provide timely response to the listed entity for verifying market rumour (*Regulation 30 (11A)*)

Uniform approach for verification of market rumours

Upon confirmation of market rumour - Unaffected price to be considered for transactions wherever pricing norms have been prescribed under SEBI Regulations (*Second proviso to Regulation 30(11)*)

Unverified event or information reported in print or electronic media not to be considered as 'generally available information' under SEBI (Prohibition of Insider Trading) Regulations, 2015²

Rumour verification in terms of material price movement¹

Conditions to be specified

Rumour:

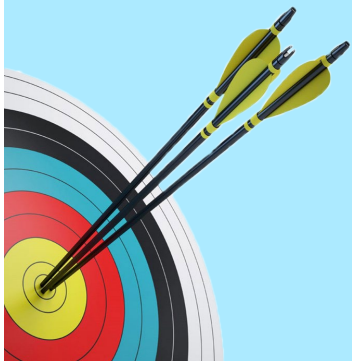
- Should be reported event or information in the **mainstream media**
- **Is not general** in nature
- Should be about an **impending** specific event or information
- Leads to **material price movement** (as specified by SEBI).

Action by the company

- Either confirm or
 - Deny or
 - Clarify
- such rumour **within 24 hours** from the trigger of the material price movement.

On confirmation

- Provide current stage of such reported event or information.
- Consider unaffected price for transactions wherever pricing norms have been prescribed under SEBI Regulations



For either confirmation or denial of the rumour, the promoter, director, KMP, or senior management of the listed entities are required to provide adequate, accurate and timely response to queries raised or explanation sought by the listed entity.

Framework for verification market rumours under LODR Regulations

Consequent to the amendment in the LODR Regulations, SEBI issued following notifications to provide further guidance in this regard:

01

Industry Standards on verification of market rumour³: To facilitate a uniform approach and assist listed entities in complying with requirements relating to market rumour, Industry Standards Forum (ISF) has been formed by the industry associations.

The ISF in consultation with SEBI, has issued Industry Standards Note (ISN) which provides standard operating procedures for compliance with the rumour verification requirement.



02

Framework for material price movement⁴: The stock exchanges along with SEBI, have formulated a framework for rumour verification upon material price movement.

The framework lays down the parameters for material price movement, illustrations of variations that should be treated as material price movement in case of positive/negative rumour and the monitoring measures to be implemented by the stock exchanges.



03

Framework for considering unaffected price⁵: SEBI through its circular dated 21 May 2024, issued a detailed framework for determining unaffected price by listed entities. The framework provides illustrations for calculation of adjusted Volume Weighted Average Price (VWAP) and applicability of unaffected price.



Overview of Industry Standards Note³

The ISN is divided into three parts:

- *Part A – General aspects:* It contains, *inter alia*, definition of mainstream media and certain explanations related to market rumour.
- *Part B – Aspects related to Mergers & Acquisitions transactions (M&A):* Provide rumour verification standards for various stages of potential M&A transaction.
- *Part C – Aspects related to Non-Mergers & Acquisitions transactions:* Provide guiding principles on rumour verification in respect of non-M&A transaction scenario along with illustrations on the same.

Key aspects of the Industry Standards Note

Scope and ambit of 'Mainstream Media'

Interpretation of 'not general in nature' under the proviso to Regulation 30(11)

Clarification on material price movement

Discussion on market rumour that is reported post issuance of a pre-intimation notice of a Board Meeting

Aspects specific to M&A transactions

Aspects specific to other and non-M&A transactions

What is mainstream media³

As per LODR the term 'mainstream media' includes print or electronic mode of the following:

- i. Newspapers registered with the Registrar of Newspapers for India
- ii. News channels permitted by Ministry of Information and Broadcasting under Government of India
- iii. Content published by the publisher of news and current affairs content as defined under the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 and
- iv. Newspapers or news channels or news and current affairs content similarly registered or permitted or regulated, as the case may be, in jurisdictions outside India



Clarification on mainstream media by ISF Note

The Note lays down the criteria for identifying mainstream media and the criteria is as follows:

- English/Regional newspapers, business/financial news dailies registered with the Registrar of Newspapers for India and their digital versions
- International media
- Digital/online sources registered with the relevant statutory/ regulatory authority based in India (excluding news articles carrying such rumour behind a paywall and news aggregators)
- English and other business news channels registered with the Ministry of Information and Broadcasting under Government of India
- Social media handles of news sources identified above (all other social media is excluded).

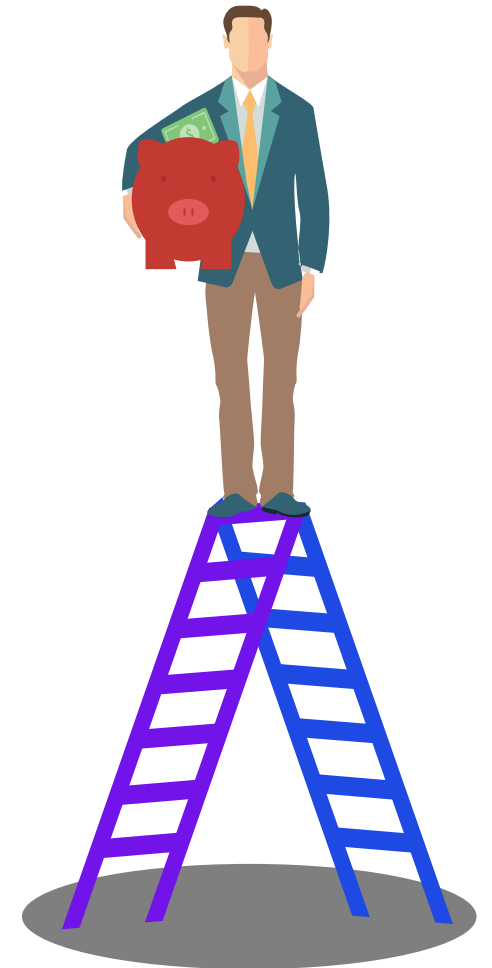
With respect to international news sources, the Board of the listed company is required to specify following points in its materiality policy:

- A list of foreign jurisdictions (if any) where the company has material business operations; and
- A list of business/financial news sources from such jurisdictions - that the company should track for the purposes of compliance with rumour verification requirement

Framework for material price movement⁴

The stock exchanges (BSE and NSE) issued the framework for determination of material price movement through its circular dated 21 May 2024

- Cut-off percentage for price variation based on the price range of securities, or price band hit - 3-5% depending on price of scrip
- The price variation criteria be indexed to the movement in Nifty50 / Sensex (benchmark index). Price benchmarking should be done at the start of day (i.e., at 9.30 am).
- Rumours shall be verified only if the security has moved in the direction of the news i.e., Require classification of rumour into 'positive' news and 'negative' news
- A percentage-based threshold for determining material price movement in price of a scrip to the movement in the benchmark index (i.e. NIFTY 50 and SENSEX), has been specified
- In case of intraday price movement (i.e. after 9:30 am), only the price range-based price variation to be considered, irrespective of the index movement.
- The percentage variation in share price and the benchmark index movement shall be calculated from the closing price of the immediate preceding trading day.



Mechanism to consider unaffected price⁵

An unaffected price to be considered for following transactions on which pricing norms are specified by SEBI Regulations, provided that the rumour pertaining to such transaction has been confirmed within 24 hours from the trigger of material price movement.

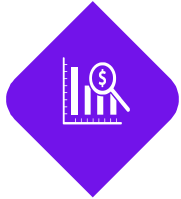
- Preferential issue of securities and Qualified Institutional Placement under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
- Tender offer (Regulation 8 or 9) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- Buyback (Regulation 19 or 22B) under SEBI (Buy-back of Securities) Regulations, 2018
- Any other pricing norms specified by SEBI or the stock exchanges.

Framework for considering unaffected price

- Unaffected price is the price excluding the effect on the price of the equity shares of the listed entity due to the material price movement and confirmation of the rumour.
- Provide following mechanism for calculation of the Adjusted Volume-Weighted Average Price (VWAP)
 - WAP variation from day of material price movement till next trading day after rumour verification - attributed to the rumour and confirmation of the rumour
 - The adjusted daily WAP to be calculated by excluding the WAP variation from the daily WAP in the look back period from the day of the material price movement onwards.
 - The adjusted VWAP for the look back period shall be calculated based on the adjusted daily WAP.



Other LODR amendments¹



Market capitalisation (Regulation 3(2))

- Market capitalisation to be determined on the basis of average market capitalisation of six months ending 31 December (*earlier as of 31 March*).
- Introduction of sunset clause of three years for cessation of applicability of market capitalisation-based provisions.
- Provided a glide path of one year for BRSR reporting (or assurance under BRSR Core) in case of first-time compliance or compliance after an interim period.



Vacancies of Key Managerial Personnel (KMP) (Regulation 26A)

In case of statutory authorities approval - Timeline for filling up vacancies of KMP extended from three months to six months.



Timeline for prior intimation of board meetings reduced to two working days (*currently varies from two working days to 11 working days*). (Regulation 29)



Gap between meetings of the Risk Management Committee (RMC) has been increased to 210 days from 180 days. Regulation 21(3C))



Applicability of LODR Regulations to High Value Debt Listed Entities (HVDLEs)

Timeline for mandatory applicability of Regulation 16 to 27 of SEBI LODR Regulations* and compliance has been extended till 31 March 2025 (*earlier 31 March 2024*).

SEBI issued proposals to amend LODR regulations^{6,7}

In 2023, SEBI formed an expert committee (the Committee) with an objective to review the provisions of LODR Regulations and SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations), from the point of view of facilitating ease of doing business.

Based on the suggestion of the committee, recently SEBI issued two consultation papers to propose amendments to LODR and ICDR Regulations in following topics:

- Proposals with respect to Business Responsibility and Sustainability Report (BRSR)
- Proposals for facilitating ease of doing business and harmonisation of the provisions of the ICDR and LODR Regulations.

Key proposals related to LODR are on following topics:



IASB and IFRS updates



IFRS 18, *Presentation and Disclosure in Financial Statements*⁸

- In April 2024, the International Accounting Standards Board (IASB) issued IFRS 18.
- IFRS 18 replaces IAS 1, *Presentation of Financial Statements* with effect from accounting periods beginning on or after 1 January 2027

IFRS 18 affects the complete set of financial statements, including:.



Statement of financial position (balance sheet)



Statement of profit or loss (income statement)



Statement presenting comprehensive income



Statement of changes in equity



Statement of cash flows (cash flow statement)



Notes to the financial statements

Legend:



Major changes



Some changes



Minimal changes

Requirements on grouping of information will affect the complete set of financial statements.

Illustrative income statement

Income statement: Companies without specified main business activities

New categories	Operating	Revenue	X	
		Operating expenses (analysed by nature, function or both as appropriate)	(X)	
		Operating profit	X	New subtotals
	Investing	Share of profit or loss of equity-accounted investees	X	
		Income from other investments	X	
		Interest income from cash and cash equivalents	X	
		Profit or loss before financing and income tax	X	
	Financing	Interest expense on borrowings and lease liabilities	(X)	
		Interest expense on pension liabilities	(X)	
		Profit or loss before income tax	X	
	Income tax expense	(X)		
	Profit or loss for the year from continuing operations	X		
	Profit and loss from discontinued operations	X		
	Profit or loss	X		

IFRS 18 (cont.)

Major impact on the Statement of Profit or Loss (income statement)

IFRS 18 has introduced subtotals in the statement of profit or loss where a company will classify income and expenses into operating, investing and financing categories plus income taxes and discontinued operations and will present two new defined subtotals:

- a. Operating profit and
- b. Profit before financing and income taxes in the statement of profit or loss

Major impact in the notes to financial statements

- Management-defined Performance Measures (MPM) to be disclosed in the notes to financial statements.
- Enhanced requirements for grouping (aggregation and disaggregation) of information

IFRS 19, *Subsidiaries without Public Accountability: Disclosures*⁹

In May 2024, IASB issued a new IFRS Accounting Standard for subsidiaries - IFRS 19

Who can apply IFRS 19?

A subsidiary is eligible if:

- It does not have public accountability; and
- It has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

Other key considerations:

- IFRS 19 would work alongside other IFRS Accounting Standards. It is a disclosure-only standard and does not include:
 - Recognition, measurement and presentation requirements.
 - Guidance on applying disclosure requirements.
- Statement of compliance: A subsidiary is required to state that it has applied IFRS 19 in its statement of compliance.
- A subsidiary can choose to revoke its election to apply IFRS 19 at any time and may also choose to apply the standard again in subsequent periods.
- The standard will become effective for reporting periods beginning on or after 1 January 2027, earlier application is permitted.

An entity has public accountability if:



its equity or debt instruments are traded in a public market

OR

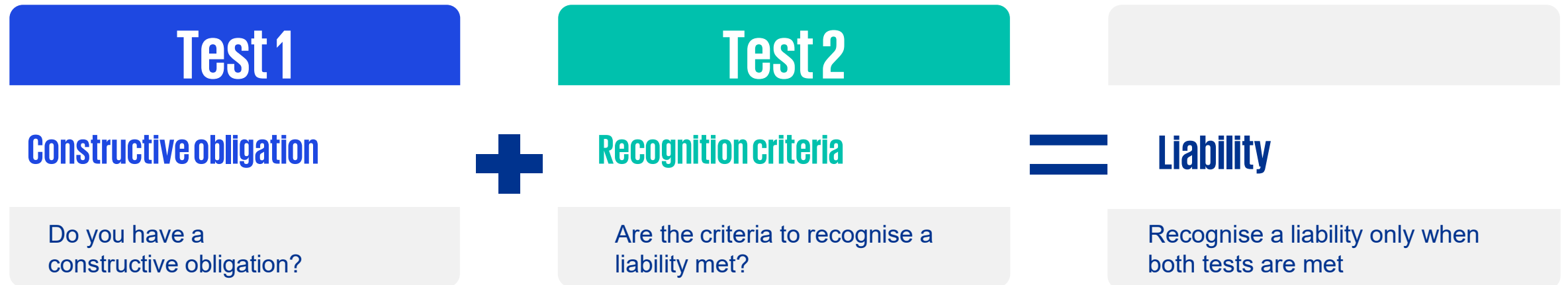


it holds assets in a fiduciary capacity (for example, banks and insurance companies)

Net zero commitments disclosure¹⁰

In April 2024, the IFRS Interpretations Committee has discussed climate-related commitments based on a specific scenario and published an agenda decision in IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*

The IFRS Interpretations Committee has identified two critical criteria (two tests) that must be satisfied for a liability to be recognised:



Companies need to provide enhanced disclosures on the impact of net-zero commitments in their reporting.

Amendments to IFRS 9 & IFRS 7¹¹

Classification

1

Contingent features (including ESG)

2

Contractually linked instruments (CLIs) and non-recourse features

Disclosures

3

Contingent features

3

Fair Value through Other Comprehensive Income (FVOCI) Equity instruments

Electronic cash transfer

4

Derecognition on settlement date

4

Exception for Financial liabilities

Effective from 1 January 2026

Sources

1. SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2024 dated 17 May 2024
2. SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2024 dated 17 May 2024
3. Industry Standards Note on verification of market rumours under Regulation 30(11) of LODR Regulations dated 21 May 2024
4. Framework on Material Price Movement (in Equity Cash Markets) with respect to Rumour Verification by Listed Entities issued by stock exchanges dated 21 May 2024
5. SEBI circular SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/51 dated 21 May 2024
6. SEBI Consultation Paper “Recommendations of the Expert Committee for Facilitating Ease of Doing Business with respect to Business Responsibility and Sustainability Report (BRSR)” dated 22 May 2024
7. SEBI Consultation Paper on the Recommendations of the Expert Committee for facilitating ease of doing business and harmonization of the provisions of the ICDR and LODR Regulations dated 26 June 2024
8. IFRS 18 issued by IASB, April 2024
9. IFRS 19 issued by IASB, May 2024
10. IFRIC Agenda Paper on ‘Climate-related Commitments (IAS 37)’, April 2024
11. Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7 issued by IASB, 30 May 2024

Q&A

Our publications

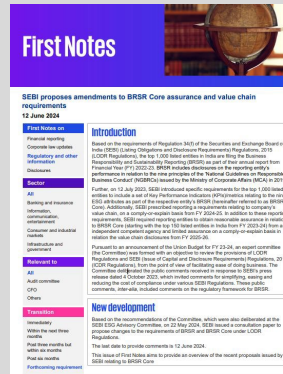
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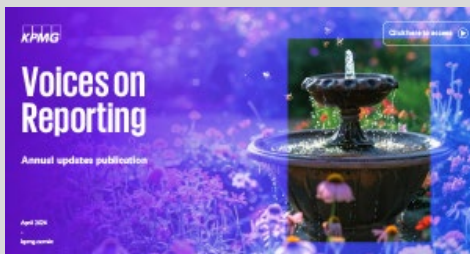
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