

## Stocks

# Listed firms 'must disclose forensic audits to exchanges'

Our Bureau Mumbai | Updated on September 30, 2020



## SEBI tweaks rules on insider-trading

Market regulator SEBI on Tuesday made it mandatory for listed companies to disclose to stock exchanges whenever a forensic audit is initiated against them. The listed entity will also have to disclose the final findings of such an audit.

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The SEBI board, which met today, also said that information provided to the market regulator on insider-trading, which is older than three years, is likely to be put in the cold storage.

“A time period of up to 3 years has been prescribed for reporting violations under the insider-trading laws through the informant mechanism. Informants (should) include specific information such as details of securities, trades by suspect and unpublished price sensitive information based on which insider trading is alleged with respect to the alleged violations,” SEBI said in its circular.

Market experts say the move has its pros and cons. “This amendment has made sure that no vague information is filed to move the resources of SEBI in insider-trading whistleblower mechanism. The flip side is that a whistleblower is restricted from filing a complaint if information is not absolutely complete,” said Sumit Agrawal, Partner, Regstreet Law Advisers and a former SEBI official.

On forensic audit, SEBI directed companies to disclose it irrespective of the materiality.

“This amendment is in line with SEBI objective of maintaining parity of information amongst shareholders. Also, this will ensure that listed companies maintain a consistent approach in relation to circumstances involving such an audit as shareholders have complete and timely information,” said Moin Ladha, Partner, Khaitan & Co.

## Repo clearing house

SEBI also approved a proposal to facilitate the setting up of a Limited Purpose Repo Clearing Corporation to push debt market transactions and repurchase of government securities. But experts say that managing credit risk will be the biggest challenge for the new clearing house.

Among other directions, SEBI prescribed a code of conduct for mutual fund managers and dealers. Chief executive officers of asset management companies will be responsible to ensure that the code is followed. SEBI also allowed AMC's to become self-clearing members of clearing corporations to clear and settle trades in the debt segment.

The regulator also defined the professional qualifications for officials of an alternate investment fund.

Published on September 29, 2020

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