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Consultation paper on
**'Amendments to SEBI
Regulations with respect to
Verification of Market Rumour'**

Provisions on Verification on Market Rumour

- The first proviso to Regulation 30(11) of LODR Regulations requires listed entities to **verify and confirm, deny or clarify market rumours** which are reported in the mainstream media (“**rumour verification requirement**”).
- The rumour verification requirement shall apply to:

Top 100 listed entities

w.e.f. 01st February, 2024

Top 250 listed entities

w.e.f. 01st August, 2024





Part A

**Material Price Movement as the criteria to verify
market rumours**



Recommendations in the Consultation Paper



MATERIAL PRICE MOVEMENT

Proposed Changes:

Proposes defining 'materiality' in terms of price movement in securities rather than solely relying on specified events in Regulation 30 of LODR Regulations.



Recommendations in the Consultation Paper



MATERIAL PRICE MOVEMENT

The **material price movement** in the securities of the listed entity may be determined based on the following parameters:

Price range of the securities of the listed entity

- For determining material price movement, a lower %age variation should be considered for securities falling under high price range and a higher %age variation should be considered for securities falling under low price range.

Movement in the benchmark index (Nifty50 / Sensex)

- In order to factor in market dynamics, the price variation in the securities of the listed entity may be indexed to movement in Nifty50 / Sensex (benchmark index).



Recommendations in the Consultation Paper



MATERIAL PRICE MOVEMENT

Proposed Framework:

Annexure B provides a structured framework outlining parameters and scenarios for determining material price movements based on security price ranges and benchmark index movements.



Proposed framework for material price movement**A. In case benchmark index movement is greater than- 1% and less than 1%:**

Price range of the scrip	Percentage variation in scrip price
Rs. 0-99.95	Greater than or equal to 5
Rs. 100- 199.95	Greater than or equal to 4
Rs. 200 and above	Greater than or equal to 3

B. In case benchmark index movement is greater than 1%:

Price range of the scrip	Percentage variation in scrip price
Rs. 0-99.95	Greater than or equal to (5+ % change in benchmark index at 9:30) or Band hit
Rs. 100- 199.95	Greater than or equal to (4+ % change in benchmark index at 9:30) or Band hit
Rs. 200 and above	Greater than or equal to (3+ % change in benchmark index at 9:30) or Band hit

C. In case benchmark index movement is less than - 1%:

Price range of the scrip	Percentage variation in scrip price
Rs. 0-99.95	Greater than or equal to (5- % change in benchmark index at 9:30) or Band hit
Rs. 100 - 199.95	greater than or equal to (4- % change in benchmark index at 9:30) or Band hit
Rs. 200 and above	greater than or equal to (3- % change in benchmark index at 9:30) or Band hit

Notes:

1. Index movement is to be considered at **9:30 am of the trading day** w.r.t. the closing price on the previous trading day.
2. Percentage variation in scrip price is to be considered **at any point of time during trading hours** w.r.t. the closing price of the scrip on the previous trading day.
3. In case of negative news, **parameter cut off applicable** will be on opposite side calculated as above.



Recommendations in the Consultation Paper



MATERIAL PRICE MOVEMENT

Proposed Timeline:

Suggests the timeline for verifying market rumour shall be **within 24 hours of material price movement** instead of within 24 hours of reporting in mainstream media.



Recommendations in the Consultation Paper



MATERIAL PRICE MOVEMENT

Consultation Proposal:

- a) Whether 'materiality' for the purpose of rumour verification requirement should be considered in terms of material price movement?



Recommendations in the Consultation Paper



MATERIAL PRICE MOVEMENT

Consultation Proposal:

- b) Whether you agree with the proposed framework for material price movement as given in Annexure B?



Recommendations in the Consultation Paper



MATERIAL PRICE MOVEMENT

Consultation Proposal:

- c) Whether you agree that rumour shall be required to be verified and confirmed, denied or clarified within 24 hours from material price movement?





Part B

Unaffected Price Consideration in Transactions



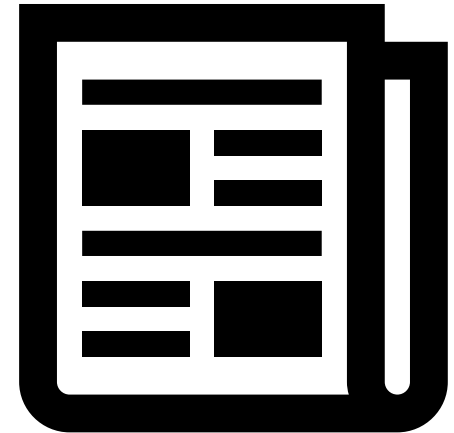
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UNAFFECTED PRICE CONSIDERATION IN TRANSACTIONS

Proposed Changes:

Proposes two frameworks (**Framework A** and **Framework B**) to determine unaffected prices in transactions after confirming a market rumor.



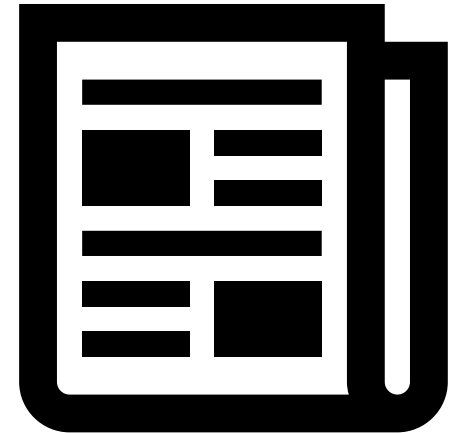
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UNAFFECTED PRICE CONSIDERATION IN TRANSACTIONS

Proposed Framework A:

Framework A primarily considers the date preceding the confirmation of the rumor as the 'relevant date' and calculates volume-weighted average price (VWAP) from that date. It aims to exclude any price variation due to the confirmed rumor from transaction pricing.



Recommendations in the Consultation Paper



UNAFFECTED PRICE CONSIDERATION IN TRANSACTIONS

Challenges in Framework A:

The framework doesn't account for price changes post-confirmation of a rumor by a listed entity, leading to potential economic loss for shareholders. There's a risk of individuals intentionally spreading rumors to exploit favorable prices before official announcements, disadvantaging shareholders.



Recommendations in the Consultation Paper



UNAFFECTED PRICE CONSIDERATION IN TRANSACTIONS

Proposed Framework B:

Framework B focuses on adjusting the VWAP based on the price variation due to the rumor and confirmation, while still considering other price changes arising from legitimate announcements or market developments.



Recommendations in the Consultation Paper



UNAFFECTED PRICE CONSIDERATION IN TRANSACTIONS

Challenges in Framework B:

The duration of price impact after rumor confirmation is unpredictable and can vary. In some cases, price fluctuations may trigger band limits on the next trading day and extend to subsequent days.



Illustration for calculation of adjusted VWAP under the proposed Frameworks in case of preferential issue to QIBs

Trading Day	Daily WAP	No. of Shares	Daily VWAP = WAP*No. of shares	Adj. WAP (for Framework B)	Adj. Daily VWAP = Adj. WAP *No. of shares (for Framework B)	Remarks	As per existing ICDR Regulations	Framework A	Framework B
13-Jul	1,028.38	44,863	4,61,36,436	1,028.38	4,61,36,436			NT-10	
14-Jul	1,027.02	33,466	3,43,70,333	1,027.02	3,43,70,333				
17-Jul	1,032.63	32,223	3,32,74,413	1,032.63	3,32,74,413				
18-Jul	1,027.20	19,968	2,05,11,216	1,027.20	2,05,11,216				
19-Jul	1,034.02	49,398	5,10,78,332	1,034.02	5,10,78,332				
20-Jul	1,045.06	47,004	4,91,22,094	1,045.06	4,91,22,094				
21-Jul	1,053.26	24,750	2,60,68,106	1,053.26	2,60,68,106				
24-Jul	1,047.07	37,262	3,90,15,902	1,047.07	3,90,15,902		T-10		T-10
25-Jul	1,054.90	15,000	1,58,23,472	1,054.90	1,58,23,472				
26-Jul	1,060.76	44,519	4,72,24,119	1,060.76	4,72,24,119			NT-1	
27-Jul	1,164.47	7,60,853	88,59,92,949	1,060.76	80,70,84,899	Date of material price movement		New Relevant Date(NT)	
28-Jul	1,173.45	2,38,320	27,96,56,317	1,060.76	25,28,01,097	Date of rumour confirmation			
31-Jul	1,178.90	88,450	10,42,73,673	1,060.76	9,38,24,509	Next trading day after rumour confirmation			
01-Aug	1,173.16	68,613	8,04,93,949	1,055.02	7,23,88,257				
02-Aug	1,165.71	41,954	4,89,06,124	1,047.57	4,39,49,830				
03-Aug	1,163.36	56,267	6,54,58,874	1,045.23	5,88,11,694				
04-Aug	1,212.36	5,99,197	72,64,43,696	1,094.23	65,56,56,725		T-1		T-1
07-Aug	1,208.33	1,08,762	13,14,20,854	1,090.20	11,85,72,104	Date of Board approval to preferential issue to QIBs	Relevant Date (T)		Relevant Date (T)

Notes are given on the next page.



Recommendations in the Consultation Paper

Notes:

1. Price variation on the following days has been adjusted under Framework B from the date of material price movement to the date of board approval:
 - i. 27th July – **Date of material price movement**
 - ii. 28th July – **Date of rumour confirmation**
 - iii. 31st July – **Next trading day after rumour confirmation**

2. VWAP calculated under different frameworks:
 - i. Under existing ICDR Regulations – **Rs. 1,175.78/-** (Calculated based on daily VWAP from T-1 to T-10)
 - ii. Under Framework A – **Rs. 1,040.67/-** (Calculated based on daily VWAP from NT-1 to NT-10)
 - iii. Under Framework B – **Rs. 1,069.80/-** (Calculated based on adjusted daily VWAP from T-1 to T-10)



Recommendations in the Consultation Paper



UNAFFECTED PRICE CONSIDERATION IN TRANSACTIONS

Consultation Proposal:

- a) Whether the unaffected price should be considered when the listed entity confirms the market rumour due to material price movement?



Recommendations in the Consultation Paper



UNAFFECTED PRICE CONSIDERATION IN TRANSACTIONS

Consultation Proposal:

- b) Whether you agree that the unaffected price should be applicable for 60 days or 180 days, as the case may be, from the date of confirmation of the market rumour till the 'relevant date' under the existing regulations?



Recommendations in the Consultation Paper



UNAFFECTED PRICE CONSIDERATION IN TRANSACTIONS

Consultation Proposal:

- c) Whether Framework A should be implemented? If yes, provide suggestions to address the challenges mentioned.



Recommendations in the Consultation Paper



UNAFFECTED PRICE CONSIDERATION IN TRANSACTIONS

Consultation Proposal:

- d) Whether Framework B should be implemented? If yes, provide suggestions to address the challenges mentioned.





Part C

Obligation on promoters, directors, KMP and senior management



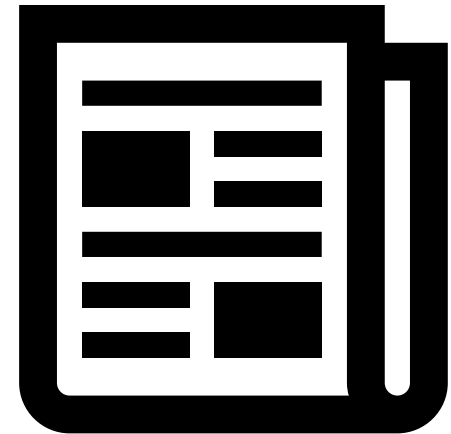
Recommendations in the Consultation Paper



OBLIGATION ON PROMOTERS, DIRECTORS, KMP AND SENIOR MANAGEMENT

Proposed Changes:

Introduces an obligation on promoters, directors, Key Managerial Personnel (KMP), and senior management to provide accurate and timely information in response to queries related to market rumors.



Recommendations in the Consultation Paper



OBLIGATION ON PROMOTERS, DIRECTORS, KMP AND SENIOR MANAGEMENT

Consultation Proposal:

Whether promoters, directors, KMP and senior management should be mandated to provide adequate, accurate and timely response to queries raised or explanation sought by the listed entity in order to ensure compliance with the requirements under Regulation 30(11) of LODR Regulations?





Part D

**Classification of information which was not verified
by listed entities as UPSI**



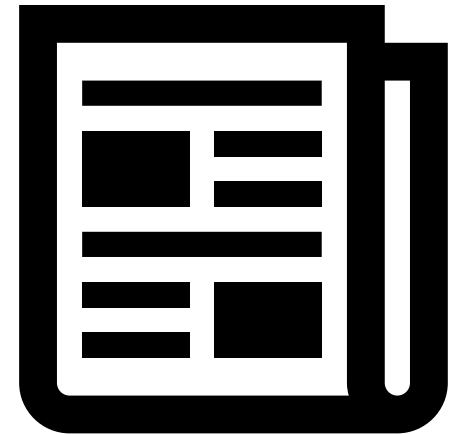
Recommendations in the Consultation Paper



CLASSIFICATION OF INFORMATION WHICH WAS NOT VERIFIED BY LISTED ENTITIES AS UPSI

Proposed Changes:

Proposes to ensure that unconfirmed information about market rumors, which do not result in material price movements, **cannot be later used by insiders as a defense** for considering the information 'generally available'.



Recommendations in the Consultation Paper



CLASSIFICATION OF INFORMATION WHICH WAS NOT VERIFIED BY LISTED ENTITIES AS UPSI

Consultation Proposal:

In case certain information is classified as UPSI by the listed entity and market rumour pertaining to that information is not verified by the listed entity, then whether such information should be continued to be treated as UPSI and not 'generally available' information?





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