

# SEBI MAKES IT VOLUNTARY FOR LISTED COMPANIES TO SEPARATE ROLES OF CMD

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Capital Market & SEBI

Markets regulator Sebi ([Securities and Exchange Board of India](#)) has changed the requirement for top 500 listed companies to separate roles of chairperson and MD & CEO from mandatory to voluntary, according to an official statement.

The regulator had earlier mandated the separation of the role of chairperson and MD/CEO of listed companies to be applicable from 01 April, 2022.

The decision was taken after considering rather unsatisfactory level of compliance achieved so far, Sebi said.

Considering rather unsatisfactory level of compliance achieved so far, with respect to this corporate governance reform, various representations received, constraints posed by the prevailing pandemic situation and with a view to enabling the companies to plan for a smoother transition, as a way forward, SEBI Board at this juncture, decided that this provision may not be retained as a mandatory requirement and instead be made applicable to the listed entities on a "voluntary basis," Sebi said.

Sebi further said that, with the revised deadline less than two months away, upon review, it was found that the compliance status which stood at 50.4% amongst the top 500 listed companies as on September 2019, has progressed to only 54% as at the end of December 2021.

Expecting the remaining about 46% of the top 500 listed companies to comply with these norms by the target date would be a tall order, Sebi said.

Meanwhile, Sebi continued to receive representations from industry bodies and corporates expressing various compelling reasons, difficulties and challenges for not being able to comply with the mandate.

Existing corporate governance framework is very strong and day by day enforcement is also becoming stronger. Hence separation of MD and Chairman position was not a very burning issue. Making it voluntary reflects that government is reciprocating to changes suggested by Industry, said Makarand Joshi, founding partner, MMJC and Associates.

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