

## Regulatory Hotline

December 26, 2024

### BOARD OBSERVERS IN THE SPOTLIGHT

This article was first published in [www.financialexpress.com](https://www.financialexpress.com) (December, 2024).



Two recent regulatory developments have brought the role of board observers into the spotlight. A few months back, the Competition Commission of India (CCI) amended the rules that exempted combinations from its notification requirement. Previously, to qualify for an exemption, acquirers could not acquire any special rights in the target entity—rights unavailable to ordinary shareholders. These special rights included the full range of contractual rights such as director and observer rights, as well as information and inspection rights. However, the only explicitly specified right in the old regulations was the right to appoint a director. The CCI's new exemption rules now explicitly include the right to appoint a board observer. This move clearly indicates that the CCI sees no differentiation between directors and board observers when it comes to the ability to exert 'material influence' over the management and affairs of the target entity.

Please click [here](#) for our detailed article.

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