Source : www.thehindu.com Date : 2018-11-28

SEBI SIMPLIFIES REGULATIONS FOR RECLASSIFYING PROMOTER AS PUBLIC INVESTOR

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

The Securities and Exchange Board of India (SEBI) has come out with new rules for re-classification of a promoter as a public investor, wherein an outgoing promoter will have to relinquish special rights as well as control over the affairs of the listed firm and not be allowed to hold over 10% stake.

Besides, the promoter would not be allowed to have any representation on the board of directors or act as a key managerial person in the listed entity.

Further, the promoter seeking re-classification must not be a wilful defaulter or a fugitive economic offender, the SEBI said in a notification dated November 16. These norms will prevent the outgoing promoters from continuing to exercise their control on the company directly or indirectly.

The norms, aimed at simplifying, streamlining and bringing greater clarity in existing regulations, come after SEBI's board, in September, approved a proposal in this regard.

In order to ensure that only compliant listed entities are eligible to apply for re-classification, SEBI said such listed firms need to be compliant with 25% minimum public shareholding requirement; their shares should not have been suspended from trading and they must not have any outstanding dues to the regulator, exchanges and depositories.

In all cases of re-classification of promoters, the proposal needs to be placed by the listed entity before shareholders and approved through ordinary resolution.

Our existing notification subscribers need to choose this option to keep getting the alerts.

END