

CIRCULAR

SEBI/HO/MIRSD/DOR/CIR/P/2021/42

March 25, 2021

All Stock Brokers through exchanges
All Depository Participants through Depositories
All Merchant Bankers
All Registrar to an Issue and Share Transfer Agent
All Debenture Trustee
All Credit Rating Agencies
All Bankers to an issue

Dear Sir / Madam,

Sub: Prior Approval for Change in control: Transfer of shareholdings among immediate relatives and transmission of shareholdings and their effect on change in control

SEBI vide circular No: CIR/MIRSD/14/2011 dated August 02, 2011 addressed to stock exchanges/ depositories and intermediaries specified the procedure for seeking prior approval for change in control from SEBI. In this regard, following is clarified with respect to transfer of shareholding among immediate relatives and transmission of shareholding:

1. **Transfer /transmission of shareholding in case of body corporate type intermediary:** In following scenarios, change in shareholding of the intermediary will not be construed as change in control:
 - a) Transfer of shareholding among immediate relative shall not result into change in control. Immediate relative shall be construed as defined under Regulation 2(l) of SEBI SAST Regulations and includes any spouse of that person, or any parent, brother, sister or child of the person or of the spouse;

b) Transfer of shareholding by way of transmission to immediate relative or not, shall not result into change in control.

2. Transfer /transmission of shareholding in case of a proprietary firm type

intermediary: In case of an intermediary being a proprietary concern, the transfer or bequeathing of the business/capital by way of transmission to another person is a change in the legal formation or ownership and hence by the definition of change in control, such transmission or transfer shall be considered as change in control. The legal heir / transferee in such cases is required to obtain prior approval and thereafter fresh registration shall be obtained in the name legal heir/transferee.

3. Transfer /transmission of ownership interest in case of partnership firm

type intermediary: Change in partners and their ownership interest of the partnership firm type intermediary shall be dealt in following manner:

a) *Transfer of ownership interest in case of partnership firm:* In case a SEBI registered entity is registered as a partnership firm with more than two partners, then inter-se transfer amongst the partners shall not be construed to be change in control. Where the partnership firm consists of two partners only, the same would stand as dissolved upon the death of one of the partners. However, if a new partner is inducted in the firm, then the same would be considered as a change in control, requiring fresh registration and prior approval of SEBI.

b) *Transmission of ownership interest in case of partnership firm:* Where the partnership deed contains a clause that in case of death of a partner, the legal heir(s) of deceased partner be admitted, then the legal heir(s) may become the partner (s) of the partnership firm. In such scenario the partnership firm will continue to exist and bequeathing of partnership right to

legal heir(s) by way of transmission shall not be considered as change in control.

4. Incoming entities/ shareholders becoming part of controlling interest in the intermediary pursuant to transfer of shares from immediate relative / transmission of shares (immediate relative or not), need to satisfy the fit and proper person criteria stipulated in Schedule II of SEBI (Intermediaries) Regulations, 2008

This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully

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