

Ref. No. JKB/BO/F: PI/BS/2021/104

Dated: August 10, 2021

Board Secretariat



The Securities and Exchange Board of India,
Corporate Finance Department
SEBI Bhavan, Plot No C4-A, "G" Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400051

Sub: Request for "Interpretative Letter" under SEBI (Informal Guidance) Scheme, 2003 in the matter of Jammu & Kashmir Bank Ltd. with respect to SEBI (ICDR) Regulations, 2018.

Dear Sirs,

1. Govt. of J&K, General Administrative Department vide S.O. No. 339 dated 30-10-2020 issued guidelines for apportionment of Assets, Liabilities and Posts of the erstwhile State of Jammu and Kashmir between the Union Territory of Jammu and Kashmir and Union Territory of Ladakh w.e.f. 31.10.2020. (A copy of the S.O. No. 339 dated 30-10-2020 is enclosed for reference as Annexure 'A').
2. The relevant provisions relating to Jammu & Kashmir Bank Ltd. as contained in the Para D of Annexure A to the aforesaid notification are reproduced hereunder:
 - a. *J&K Bank Ltd. shall continue its operations as a going Concern in both the UTs.*
 - b. *The UT of J&K shall continue to have majority shareholding in the Bank.*
 - c. *51% of the shareholding in the J&K Bank Ltd. shall remain with the UT of J&K. The remaining 8.23% shareholding in the J&K Bank Ltd. (approximately 13.89% of the existing shareholding of the erstwhile State of Jammu & Kashmir), shall be transferred to the UT of Ladakh.*
 - d. *One post of Director on the Board of the J&K Bank shall be earmarked for the UT of Ladakh.*
 - e. *A reasonable proportion of employees of the J&K Bank Ltd. shall be recruited from the UT of Ladakh, details of which will be worked out by the Bank.*
3. In terms of Clause D of Govt. of UT of J&K General Administration Department's S.O. No. 339 dated 30-10-2020 regarding apportionment of Assets, Liabilities and Posts of the erstwhile State of Jammu and Kashmir between the two Union Territories of Jammu and Kashmir and Ladakh, 4,58,29,445 Equity Shares constituting 8.23% shareholding in the J&K Bank Ltd. (approximately 13.89% of the shareholding of the erstwhile State of Jammu & Kashmir in the Bank as on the 'appointed day' i.e. 31st October, 2019), shall be transferred to the UT of Ladakh.
4. In this regard, the Bank made an application dated April 16, 2021, for and on behalf of Government of UT of Ladakh, to the Reserve Bank of India for seeking its approval for acquisition of 8.23% shares by the UT of Ladakh under the provisions of the Banking Regulation Act, 1949 read with the Reserve Bank of India (Prior Approval for Acquisition of Shares or Voting Rights in Private Sector Banks) Directions, 2015.
5. The RBI vide DOR.HOL.No.S481/16.01.063/2021-22 dated July 26, 2021 accorded its approval to the Government of UT of Ladakh to acquire 4,58,29,445 fully-paid up equity shares of Re. 1 each i.e. 8.23% of the paid up capital of Jammu & Kashmir Bank Ltd. as on the date of enforcement of Jammu & Kashmir Reorganization Act, 2019 i.e. October 31, 2019, subject to the extant guidelines and statutory provisions as applicable. (The RBI approval is enclosed herewith as Annexure 'B').

6. In the meantime, the Government of J&K vide its communication No. FD-VII-Gen(120) R&R/2020 dated March 31, 2021 committed to infuse capital upto Rs.500 crores in the Bank. Accordingly, the Bank started the process of issue and allotment of 16,76,72,702 equity shares of face value of Re 1 per share of the Bank, on preferential allotment basis to the Government of Jammu & Kashmir, the promoter and majority shareholder of the Bank, presently holding 68.18% of the equity capital of the Bank, for a price of Rs.29.82 per share aggregating to a total of Rs.499,99,99,973.64. The equity shares to be allotted are to be locked-in for a period of 3 years and the entire pre-preferential holding of the Government of J&K has been locked-in for a period of 6 months, in accordance with the Regulation 167 of Chapter V of SEBI ICDR Regulations. In this connection, the Bank has also received the In-Principle approvals under Regulation 28(1) of Securities and Exchange Board of India (LODR) Regulations, 2015 from both the Stock Exchanges and exemption from SEBI under Section 11(1) and Section 11(2) of the SEBI Act, 1992 read with Regulation 11(5) of the SEBI (SAST) Regulations, 2011 from complying with the requirements of Regulation 3(2) of the SEBI (SAST) Regulations, 2011.
7. Based on the above facts, your informal guidance is solicited in the form of an interpretative letter on the following:
- Whether the UT of J&K can transfer the shares to the UT of Ladakh subject to the condition of continuation of lock-in at the hands of the transferee as the said transaction is being undertaken pursuant to the terms of Notification dated October 30, 2020 issued by the Government of J&K ("Notification") basis of the Jammu and Kashmir Reorganisation Act, 2019 ("Act"). Pursuant to the said legal provisions, especially Sections 84 and 85 of the Act and the Notification in general, the activity to be undertaken is 'apportionment' of assets and liabilities of the entities within the erstwhile state of J&K between the UT of J&K and the UT of Ladakh as opposed to a general transfer of shares.*
8. Against the backdrop, reference is also invited to the letter No.CFD/DIL-III/AEA/OW/2017/26216 dated October 26, 2017 of SEBI issued in response to the request of informal guidance in the form of an interpretative letter sought by M/s Star Cement Limited, wherein the SEBI in their comments as contained in para 4.1 of the letter clarified that locked-in securities may be transferred amongst the promoters subject to continuation of lock-in at the hands of the transferee in line with the provisions of SEBI (ICDR) Regulations. (Copy of the letter is also attached herewith as Annexure 'C').

In case of requirement of any further information/clarification, we shall be glad to furnish the same.

Thanking you,

Yours faithfully,
For Jammu & Kashmir Bank Ltd.


(Mohammad Shafi Mir)
Company Secretary

Encl.: a/a