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भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

SEBI/CFD/DIL1/RG/2021/25643
September 24, 2021

Jammu & Kashmir Bank Ltd.,
Corporate Headquarters,
M.A. Road, Srinagar,
Kashmir, J & K, 190 001

Kind Attention: Mr. Mohammad Shafi Mir (Company Secretary)

Dear Sir,

Sub: Request for informal guidance by way of "Interpretive Letter" under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 in the matter of Jammu and Kashmir Bank Ltd. with respect to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018

1. This has reference to your letter dated August 10, 2021 and subsequent correspondence vide email dated September 06, 2021 on the captioned matter.

2. Vide your letter under reference, you have, *inter alia*, represented as follows:

2.1 The Government of J & K vide notification dated October 30, 2020 issued guidelines for apportionment of Assets, Liabilities and Posts of the *erstwhile* State of Jammu and Kashmir between the UT of J & K and UT of Ladakh, *inter-alia*, including transfer of 8.23% of the shareholding in the Bank to UT of Ladakh. In this regard, the Bank had made an application, for and on behalf of Government of UT of Ladakh, to the Reserve Bank of India (RBI) seeking approval for acquisition of shares by UT of Ladakh. RBI, vide letter dated July 26, 2021, has accorded its approval to the Government of UT of Ladakh for the said acquisition.

2.2 In the meantime, the Government of J & K vide its communication dated March 31, 2021 committed to infuse capital upto Rs. 500 Crores in the Bank.

2.3 Accordingly, J & K Bank has also started the process to issue and allotment of 16,76,72,702 equity shares, on preferential allotment basis, to the Government of J & K, the promoter and majority shareholder of the Bank. The equity share to be allotted are to be locked-in for a period of 3 years and entire pre-preferential holding of the Government of J & K has been locked-in for a period of 6 months.

2.4 Government of J & K is required to transfer 8.23% of the shareholding in the Bank to UT of Ladakh subject to the applicability of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (SAST Regulations) and the continuation of lock-in in the hands of the transferee.

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.

दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर. एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in

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- 2.5 It is submitted that you have received in-principle approvals under Regulation 28 (1) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 from both the Stock Exchanges. Further, SEBI has also granted exemption from complying with the requirements of Regulation 3(2) of the SAST Regulations upon acquisition of shares by the acquirer.
- 2.6 Vide email dated September 06, 2021, SEBI had advised you to confirm the shareholder category of UT of Ladakh subsequent to the proposed transfer of shares. In response, it has been submitted by you that post transfer of 8.23% shares, the UT of Ladakh will continue to be promoter of the Bank.
3. In view of the above, you have sought informal guidance 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 UT of J & K and UT of Ladakh as opposed to general transfer of shares.

4. We have considered the submissions made by you and without necessarily agreeing with your analysis, our views on the said query is as under:

- (i) Regulation 167 (1) of the ICDR Regulations, 2018 reads as under:

Lock-in.

167. (1) The specified securities, allotted on a preferential basis to the promoters or promoter group and the equity shares allotted pursuant to exercise of options attached to warrants issued on a preferential basis to the promoters or the promoter group, shall be locked-in for a period of three years from the date of trading approval granted for the specified securities or equity shares allotted pursuant to exercise of the option attached to warrant, as the case may be:

- (ii) Regulation 168 (1) of the ICDR Regulations reads as under:

Transferability.

168. (1) Subject to the provisions of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 2011, specified securities held by promoters and locked-in in terms of sub-



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regulation (1) of regulation 167, may be transferred among the promoters or the promoter group or to a new promoter or persons in control of the issuer:

Provided that the lock-in on such specified securities shall continue for the remaining period with the transferee.

- (iii) Thus, Regulation 167(1) of the ICDR Regulations, 2018 states that the specified securities allotted on a preferential basis to the promoters or promoter group and the equity shares allotted pursuant to exercise of options attached to warrants issued on a preferential basis to the promoters or the promoter group, shall be locked-in for a period of 3 years. Further, Regulation 168(1) of the ICDR Regulations, 2018 state that subject to the provisions of SAST, the specified securities held by promoters and locked-in as per Regulation 167 of the ICDR Regulations, 2018, may be transferred among the promoters or the promoter group or to a new promoter or persons in control of the issuer. However, the lock-in on such specified securities shall continue for the remaining period with the transferee.
- (iv) As Regulation 168(1) of the ICDR Regulations, 2018 permits transfer of locked-in shares among the promoters or the promoter group or to a new promoter or to persons in control of the issuer subject to the lock-in continuing for the remaining period with the transferee, the said permission would be applicable irrespective of whether the transfer is a result of apportionment of assets pursuant to the Jammu and Kashmir Reorganisation Act. In view of the same, the proposed transfer of shares of the Bank by the Government of J & K, being the current promoter to the UT of Ladakh, which would also be classified as a promoter of the Bank would be permissible under Regulation 168 of the ICDR Regulations, 2018 subject to the applicability of the other provisions of law.
5. The above position is based on the representation made in your aforesaid letter under reference. Different facts or conditions might require different results. Further, this letter does not express a decision of the Board on the question referred.
6. You may also note that the above position / view is expressed only with respect to the clarifications sought in your letter under reference with respect to the *SEBI (ICDR) Regulations, 2018* as referred above and does not affect the applicability of any other law or requirements of any other SEBI Regulations, Guidelines and Circulars administered by SEBI or the laws administered by any other authority.

Yours faithfully,


Rajesh Gujjar