

**Amendment to SEBI (Substantial Acquisition of Shares and Takeovers)**  
**Regulations, 2011 (“Takeover Regulations”)**

**1. Objective**

1.1. This memorandum proposes to do away with the obligation of the acquirers to make disclosure of certain event based transactions and obligation of the promoters to make disclosure of creation, invocation or release of encumbrances as prescribed under Regulations 29 & 31 respectively, of Takeover Regulations, in view of the System Driven Disclosures (SDD) already put in place at the Stock Exchanges.

1.2. Further, the memorandum also proposes to do away with the obligation of periodical disclosures, as prescribed under Regulation 30 of Takeover Regulations, of the aggregated shareholding and voting rights as of thirty-first day of March of every year by the –

- promoter of every target company along with their PACs and
- persons and persons acting in concert (“PAC”) with him if their aggregated shareholding and voting rights is twenty-five per cent or more.

**2. Background**

2.1. Takeover Regulations, inter-alia, provide the framework of disclosures to be made, by the acquirers for their transactions of acquisitions or disposals of shares or voting rights at various thresholds, by the promoters about the shares of the target company encumbered by them, as well as for filing of periodic reports by the promoters and any other persons holding twenty-five percent or more voting rights in a target company to the stock exchanges. The intent behind the aforesaid disclosures is to provide true and timely disclosures of substantial acquisitions/disposals to the investors in the securities markets.

2.2. The disclosures mandated under Regulation 29, 30 and 31 of the Takeover Regulations are briefly indicated in the table below-

Regulation No.	Disclosure of	Disclosure by	Timelines
29 (1)	The aggregate shareholding and voting in the target company if acquisition of shares or voting rights aggregates to five per cent or more of the shares of such target company.	Acquirer along with its person acting in concert, if applicable.	<b>Within two working days</b> of the receipt of intimation of allotment of shares, or the acquisition in the target company to the Stock Exchanges and the Target Company.
29(2)	The number of shares or voting rights held and change in shareholding or voting rights, provided such change exceeds two per cent of total shareholding or voting rights in the target company if holding prior to the transaction is more than five per cent.	Person along with its person acting in concert, if applicable.	<b>Within two working days</b> of the receipt of intimation of allotment of shares, or the acquisition or the disposal of shares or voting rights in the target company to the Stock Exchanges and the Target Company.
30(1)	The aggregate shareholding and voting rights as of the thirty-first day of March	Every person, who together with persons acting in concert with him	<b>Within seven working days</b> from the end of each financial

	in the target company if entitlement is twenty-five per cent or more of the voting rights in such target company		year to the Stock Exchanges and the Target Company.
30(2)	The aggregate shareholding and voting rights as of the thirty-first day of March, in such target company	Promoter along with persons acting in concert with him	<b>Within seven working days</b> from the end of each financial year to the Stock Exchanges and the Target Company.
31(1)	Details of creation of encumbrance	Promoter along with persons acting in concert with him	<b>Within seven working days</b> from creation of encumbrance to the Stock Exchanges and the Target Company.
31(2)	Details of any invocation/release of such encumbrance of shares	Promoter along with persons acting in concert with him	<b>Within seven working days</b> from invocation or release of encumbrance to the Stock Exchanges and the Target Company.

2.3. It is observed that there are delays in making the above mentioned disclosures. Factors affecting timely disclosures extend from human error to

acquirer being unaware of the obligation to disclose. In such situations dissemination of an important information to investors is delayed.

2.4. In order to overcome such delays in disclosures, it was proposed in 2015 to automate the process of filing of such disclosures as prescribed under the Takeover Regulations at stock exchange(s) level and to put in place a System Driven Disclosures regime in a phased manner. It was envisaged that relevant disclosures would be disseminated by the Stock Exchanges based on aggregation of data from the Depositories, without human intervention.

2.5. Some of the benefits from the System Driven Disclosures are:

- The disclosures will be timely, fair and accurately displayed on the exchange platform without manual intervention.
- The disclosures on stock exchange(s) will remove the hassle of procedural compliances by companies and difficulties faced by the entities (promoters, acquirers etc) in complying with the regulations.
- The system will facilitate ease of doing business while at the same time facilitating timely disclosures and dissemination of information to the public.
- The system will rationalise compliances across various regulations.

2.6. SEBI vide its Circular dated December 01, 2015 had introduced system driven disclosure and implemented first phase involving the disclosures pertaining to acquisition/disposal as prescribed under Regulation 29(1) & 29(2) of Takeover Regulations and creation of any encumbrances or invocation and release of such encumbrances by promoters/promoter group as prescribed under Regulation 31(1) & 31(2) of Takeover Regulations.

2.7. Based on the satisfactory results of the first phase, SEBI vide its Circular dated May 28, 2018 implemented the second phase of the system wherein disclosures under Regulation 29(1) and 29(2) of Takeover Regulations by non-promoters, acquirers and sellers were also covered.

2.8. Under the aforesaid circulars, it was stated that the system driven disclosures shall run in parallel with the submission of physical disclosures by the entities as required under the Regulations.

### **3. Testing the SDD system capability and capacity**

3.1. Before moving to the third phase wherein submission of physical disclosures can be done away with, the efficacy and the adequacy of the SDD already in place needed to be tested. Towards this end, on December 15, 2020, Depositories and the Stock Exchanges (hereinafter collectively referred to as “Market Infrastructure Institutions”) were advised to undertake-

3.1.1. Process audit of the entire process beginning from sharing of files by depositories to the dissemination of the disclosures on the website of exchanges without any manual intervention.

3.1.2. Concurrent audit by the Stock Exchanges for a period of October 01, 2020 to March 31, 2021, to ensure that timely and accurate disclosures are disseminated on their Exchange website under the SDD mechanism.

3.2. It has been stated in the system audit reports that there are no adverse instances in the system driven disclosures mechanism and the processes deployed by the MIIs for enabling such disclosures are working adequately.

3.3. Given the above satisfactory outcome of the system driven disclosures mechanism observed by the audits, it is proposed to now implement the third phase and do away, with the obligations of the acquirers/sellers and promoters to make physical disclosures under Takeover Regulations to the Stock Exchanges, in certain circumstances as described below.

### **4. Dispensing with the submission of physical disclosures on account of SDD-**

## **A. Disclosures of Event based transactions**

4.1. Regulation 29 of the Takeover Regulations requires disclosures for acquisition of shares aggregating to five per cent or more; and any two per cent change in shareholding of such persons holding five per cent or more within two working days of acquisition / sale.

4.2. These disclosures are now system driven and thus the obligation of acquirer for these disclosures is proposed to be done away with.

## **B. Disclosure of encumbered shares**

4.3. Sub-regulations (1) and (2) of Regulation 31, inter-alia, requires promoter/promoter group to disclose details of encumbrance, release and invocation of shares in the target company.

4.4. Since, disclosures of creation, invocation and release of encumbrance registered in depositories are also now system driven, thus obligation of promoter/promoter group for these disclosures is also proposed to be done away with.

5. It is clarified that since the SDD mechanism cannot capture the event of PAC as the formation of PAC is event based and specific to the target company, the existing requirement of submission of physical disclosure of aggregated shareholding or voting rights held by the acquirer along with the person acting in concert (PAC) in such target company shall continue.

## **6. Dispensing with the submission of physical disclosures of continual disclosures under the Takeover Regulations**

6.1. Sub-regulation 1 of Regulation 30 of Takeover Regulations requires any person and PAC who are entitled to exercise twenty-five percent or more of the voting rights in a target company are required to disclose their aggregate shareholding and voting rights as of the thirty-first day of March. Further, sub-regulation 2 requires promoter to make similar disclosures. These disclosures

are similar in nature to the disclosures already mandated under the LODR provisions explained in detailed below.

6.2. In terms of Regulation 31 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (“LODR”)- “Holding of specified securities and shareholding pattern”, all listed companies are required to make quarterly disclosures of the shareholding pattern of each class of securities within 21 days of end of each quarter. Further, it prescribes that shareholding of promoter and promoter groups be disclosed separately in the shareholding pattern. Such disclosures are to be made on half yearly basis for companies on SME segment.

6.3. Further, in terms of SEBI Circular dated November 30, 2015, names of the shareholders holding one per cent or more of the listed entity are required to be disclosed by each company. Additionally, names of the shareholders who are persons acting in concert, if available, is also required to be disclosed separately.

6.4. Given the fact that similar stipulations for disclosures are already existing under the LODR wherein all the listed companies are making quarterly disclosures of shareholding of each class of securities, the additional obligations of submission of annual disclosures of the aggregated shareholding as of thirty-first day of March of every year by the promoter of every target company and the person along with PAC holding more than twenty-five per cent under the Regulation 30 of the Takeover Regulations, can thus be done away with.

## **7. Effective date of implementation of the revised framework**

7.1. As some of the physical disclosures proposed to be done away with are periodical in nature and since the systems of MII require to take into account the creeping acquisition limits for the financial year, there is a need to afford adequate time to the MII to further improve their systems, hence the effective date of implementation of the SDD framework is proposed to be

made effective from the beginning of the next financial year i.e. April 01, 2022.

## 8. **Proposals**

8.1.The Board is requested to consider and approve the amendment as proposed in the para 4.2, 4.4 and 6.4 and 7.1 The draft amendment regulation is placed in Annexure A.

8.2.The Board may authorize the Chairman to take such necessary consequential and incidental steps to give effect to the decisions of the Board.



**Annexure- A**

This shall be notified at a later date