

**Amendments to regulation 42 of the Securities and Exchange Board of India
(Listing Obligations and Disclosure Requirements) Regulations, 2015 on
'Record date or date of closure of transfer books'**

1. Objective

1.1. This memorandum seeks the approval of the Board to amend regulation 42 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR") on 'Record date or date of closure of transfer books' to remove ambiguity on the applicability of clause (e) of sub-regulation (1) of regulation 42 to certain categories of listed entities.

2. Background

2.1. Regulation 42 of the LODR requires a listed entity to intimate the fixing of record date or date of closure of transfer books to the Stock Exchanges. Record date is the date fixed by a listed entity to determine the shareholders of the Company, as on that date, who are eligible to receive the benefits like dividend, bonus shares, rights issue etc. announced by the listed entity.

2.2. Sub-regulation (1) of Regulation 42 specifies the events for which record date shall be intimated to the Stock Exchanges. Sub- Regulation (1) of Regulation 42 of the LODR is reproduced below:

"Record Date or Date of closure of transfer books

42. (1) The listed entity shall intimate the record date to all the stock exchange(s) where it is listed for the following purposes:

- a. declaration of dividend*
- b. issue of right or bonus shares;*
- c. issue of shares for conversion of debentures or any other convertible security;*
- d. shares arising out of rights attached to debentures or any other convertible security;*
- e. corporate actions like mergers, de-mergers, splits and bonus shares, where stock derivatives are available on the stock of listed entity or*

where listed entity's stocks form part of an index on which derivatives are available;

f. such other purposes as may be specified by the stock-exchange(s)..."

2.3. A Company Petition was filed before Hon'ble High Court of Bombay in the matter of 'X' vs 'Y' (*names have been changed for reasons of confidentiality*) in connection with a dispute between two groups of the management. The dispute resulted in a delay in fixing the record date for a scheme of arrangement sanctioned earlier by the Court. SEBI was made a respondent in the case and was requested to clarify as to whether record date can be fixed retrospectively.

3. Interpretation of clause (e) of sub-regulation (1) of Regulation 42:

3.1. During the course of hearing in the aforementioned matter, the ambiguity in clause (e) of sub-regulation (1) of regulation 42 of the LODR was brought out by the petitioners in their arguments. The counsel for the petitioners interpreted that only a listed entity on whose stocks the derivatives are available or where the listed entity's stocks form part of an index on which the derivatives are available, is required to intimate the record date to the stock exchange for corporate actions like mergers, de-mergers, splits and bonus shares - specified in clause (e) of sub-regulation (1) of regulation 42 of the LODR.

3.2. In the present form, the second part of clause (e) of sub-regulation (1) of regulation 42 of the LODR i.e. where stock derivatives listed on the stock exchange or where the listed entity's stocks form part of an index on which the derivatives are available – qualifies the first part i.e. corporate actions like mergers, demergers, splits and bonus shares, thereby narrowing down the intent of scope of applicability of the provision.

3.3. The actual intent of the aforementioned clause was that in case stock derivatives are available on the stock of listed entity or where listed entity's stocks form part of an index on which derivatives are available, record date for specific corporate actions like mergers, demergers, splits and bonus shares must be intimated to the stock exchanges.

3.4. In any case, entities having only one type of security – equity or debt listed must also intimate the record date fixed for determining the number of shareholders, pursuant to announcement of corporate actions like mergers, demergers, splits and bonus shares. Hence, listed entities are not exempt from intimating the record date for the purposes of mergers, demergers, splits and bonus shares in case their stocks do not form part of the derivatives segment or part of an index on which derivatives are available.

3.5. Hence, there is a need to amend the provisions of regulation 42 (1) of the LODR for better clarity on the applicability of the provisions.

4. Present Regulatory Provisions:

4.1. Sub- Regulation (1) of Regulation 42 of the LODR is as below:

“Record Date or Date of closure of transfer books

42. (1) The listed entity shall intimate the record date to all the stock exchange(s) where it is listed for the following purposes:

- a. declaration of dividend*
- b. issue of right or bonus shares;*
- c. issue of shares for conversion of debentures or any other convertible security;*
- d. shares arising out of rights attached to debentures or any other convertible security;*
- e. corporate actions like mergers, de-mergers, splits and bonus shares, where stock derivatives are available on the stock of listed entity or where listed entity's stocks form part of an index on which derivatives are available;*
- f. such other purposes as may be specified by the stock-exchange(s)…”*

5. PROPOSED AMENDMENT TO REGULATIONS

5.1. It is proposed to include the phrase ‘where stock derivatives are available on the stock of the listed entity or where listed entity’s stock form part of an index on which derivatives are available’ before the start of clauses (a) – (f) in sub-regulation (1)

of Regulation 42. This will ensure that a listed entity having its securities listed or where stock derivatives are available on the stock of the listed entity or where listed entity's stock forms part of an index on which derivatives are available must intimate the record date to the stock exchanges for purposes specified in clauses (a) to (f) of sub-regulation (1) of Regulation 42. Further, the words 'bonus shares' may be deleted from clause (e) of sub-regulation (1) of Regulation 42 since it is already specified at clause (b) of the same sub-regulation.

5.2. Considering the above, the following amendment to the LODR is proposed:

“Record Date or Date of closure of transfer books

42. (1) The listed entity shall intimate the record date for the following events to all the stock exchange(s), where it is listed or where stock derivatives are available on the stock of the listed entity or where listed entity's stock form part of an index on which derivatives are available, for the following purposes:

- a. declaration of dividend;*
- b. issue of right or bonus shares;*
- c. issue of shares for conversion of debentures or any other convertible security*
- d. shares arising out of rights attached to debentures or any other convertible security;*
- e. corporate actions like mergers, de-mergers, splits etc.*
- f. such other purposes as may be specified by the stock exchange(s)…”*

6. Proposal to the Board

The Board is requested to approve the aforesaid amendment to sub-regulation (1) of Regulation 42 of the LODR.