

Ease of doing business by streamlining certain requirements related to public issue by way of amendments to SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.

1. Objective

1.1. This memorandum seeks approval of the Board to amend the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“**ICDR Regulations**” or “**ICDR**”) and SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (“**SBEB & SE Regulations**” or “**SBEB**”), for enabling ease of doing business by streamlining requirements of a public issue, in respect to the following provisions:

1.1.1. Minimum holding period for Equity Shares to be eligible for Offer for Sale (OFS) in a public issue.

1.1.2. Treatment of share based benefits granted prior to filing of draft red herring prospectus (DRHP) to founders who are classified as promoters at the time of filing of DRHP.

2. Background

2.1. Based on the suggestions received from the stakeholders and market participants, following proposals were discussed in the Primary Market Advisory Committee (PMAC):

2.1.1. Harmonization of the eligibility requirement regarding minimum holding period for Equity Shares to be eligible for OFS with requirement of eligibility of shares for Minimum Promoter Contribution (MPC).

2.1.2. Treatment of shares based benefits granted to founders who are designated as promoters in their IPO offer document.

2.2. Proposals on the aforesaid items were deliberated in PMAC. PMAC recommended the proposals and suggested seeking public comments through consultation.

- 2.3. A consultation paper was placed on the website of SEBI on March 20, 2025 (“Consultation Paper”), seeking public comments on proposals made therein based on the recommendations of PMAC. The Consultation Paper is placed at **Annexure I**.
- 2.4. In response to the aforesaid consultation paper, comments have been received from 15 entities including from Merchant Bankers, Legal firms, financial advisory firms, private / public companies and individuals. The public comments so received and relevant to the consultation paper have been compiled and tabulated at **Annexure II**.
- 2.5. It is observed that the all public comments received are in favor of both the proposals. Some commentators have also provided additional suggestions on the proposals.
- 2.6. The following paragraphs detail the existing regulatory provisions, need for review, suggestions and rationale for amendment to existing provisions, analysis of public comments / suggestions and proposals for the consideration of the Board.

3. Minimum holding period for Equity Shares to be eligible for OFS in public issue:

- 3.1. **Existing provisions** – Regulation 8 of ICDR Regulations, prescribes the following condition for offer for sale in Initial Public Offering (IPO):

“8. Only such fully paid-up equity shares may be offered for sale to the public, which have been held by the sellers for a period of at least one year prior to the filing of the draft offer document:

Provided that in case the equity shares received on conversion or exchange of fully paid-up compulsorily convertible securities including depository receipts are being offered for sale, the holding period of such convertible securities, including depository receipts, as well as that of resultant equity shares together shall be considered for the purpose of calculation of one year period referred in this sub-regulation.

.....

Provided further that the requirement of holding equity shares for a period of

one year shall not apply:

a)

b) if the equity shares offered for sale were acquired pursuant to any scheme approved by a High Court or approved by a tribunal or the Central Government under the sections 230 to 234 of Companies Act, 2013, as applicable, in lieu of business and invested capital which had been in existence for a period of more than one year prior to approval of such scheme;”

Regulation 105 of the ICDR Regulation provides the same condition as prescribed under Regulation 8 for the purpose of eligibility of shares for OFS in Further Public Offering *i.e.* FPO.

3.2. **Need for review** - The proviso (b) to Regulation 8 (relevant Regulation 8 proviso), refers to only equity shares acquired pursuant an Approved Scheme, and not fully paid-up compulsorily convertible securities. Therefore, in the event shareholders receive fully paid-up compulsorily convertible securities pursuant to an Approved Scheme, which are then converted into equity shares and offered for sale, there remains ambiguity whether the exemption under the relevant Regulation 8 proviso extends to such converted equity shares or not. Such issue is largely faced by entities which have undertaken reverse flip, *i.e.* who are shifting their country of incorporation from outside India to India by way of an Approved Scheme.

3.3. **Suggestion / Representation received** - It has been suggested that the second proviso to Regulation 8 of the ICDR Regulations may be amended to include equity shares received upon conversion of such fully paid-up compulsorily convertible securities (which itself are received as part of approved scheme), thereby extending the exemption from the requirement of the minimum holding period of one year to such fully paid-up compulsorily convertible securities, similar to the exemption available for equity shares received directly pursuant to approved scheme.

3.4. Rationale -

3.4.1. In respect to eligibility of shares for Minimum Promoters' contribution (MPC), in terms of proviso (ii) of Regulation 15(1) (b), specified securities acquired pursuant to terms of an Approved Scheme, by the promoters in lieu of business and invested capital that had been in existence for a period of more than one year to such approval, are eligible for MPC. Thus, the exception under Regulation 15(1)(b) proviso(ii) of the SEBI ICDR Regulations extends to all specified securities (and is not limited to equity shares) acquired pursuant to an Approved Scheme. Specified securities in terms of Regulation 2(eee) of the ICDR Regulations means equity shares and convertible securities.

3.4.2. The rationale behind the one-year holding period under Regulation 8 of the SEBI ICDR Regulations serves objective of demonstration of long term commitment by shareholders before shares are offered for sale. Accordingly, eligibility of equity shares to be offered for sale would need to be calculated based on the period of existence of "invested capital".

3.4.3. The relevant Regulation 8 proviso should be read harmoniously with the first proviso to Regulation 8 of the SEBI ICDR Regulations, pursuant to which the holding period of compulsorily convertible securities is also considered in order to calculate the minimum holding period of one year. On this basis, it is submitted that the regulatory intent behind the inclusion of the relevant Regulation 8 proviso extends to specified securities and is not limited to equity shares acquired pursuant to an Approved Scheme.

3.4.4. Presently, eligibility of equity shares for OFS and MPC is as under:

(Scenario at point 4 in the table below shows that eligibility requirements for MPC under Regulation 15 are not harmonized with requirements for OFS under Regulation 8)

	Scenarios	OFS	MPC
1	Equity shares held for at least one year period	Yes	Yes
2	Equity shares received on conversion of fully paid-up compulsorily convertible securities where the holding period of such convertible securities and resultant equity shares together is at least one year.	Yes	Yes
3	Equity shares received pursuant to approved scheme where invested capital is in existence for more than one year.	Yes	Yes
4	Equity shares received on conversion of fully paid-up compulsorily convertible securities received pursuant to approved scheme where invested capital is in existence for more than one year. (Here holding period of equity shares + fully paid-up compulsorily convertible securities together is less than one year <i>i.e.</i> doesn't meet condition at point 2 above)	No	Yes

3.5. **Public Comments** - 11 commentators have offered specific comments on the proposal and all commentators (11 out of 11) have agreed for amendment in ICDR Regulations.

While agreeing to the proposal made in the consultation paper, 8 out of 11 commentators have also requested that clarification may also be provided in respect to proviso (ii) of Regulation 15(1)(b) regarding eligibility for shares under MPC for specified securities acquired pursuant to Approved Scheme. Following is suggested by the commentators in respect to need for clarification under proviso (ii) of Regulation 15(1)(b):

Existing Provision and need for clarification -

- a) Regulation 14 of the SEBI ICDR Regulations requires the promoters of an issuer to hold at least 20% of the post-issue capital. Pursuant to the first proviso to Regulation 14 of the SEBI ICDR Regulations, in case the post-issue shareholding of the promoters is less than 20% (“Promoter Shortfall”), alternative investment funds, foreign venture capital investors, scheduled commercial banks, public financial institutions, insurance companies registered with Insurance Regulatory and Development Authority of India, or any non-individual public shareholder holding at least 5% of the post-issue capital or any entity (individual or non-individual) forming part of promoter group other than the promoter(s) (collectively, “Relevant Persons”) can contribute to meet the shortfall in minimum contribution as specified above for the promoters.
- b) In terms of proviso (ii) of Regulation 15(1)(b) (“relevant Regulation 15 Proviso”), specified securities acquired pursuant to terms of an Approved Scheme, by the promoters in lieu of business and invested capital that had been in existence for a period of more than one year to such approval, are eligible for MPC.
- c) The relevant Regulation 15 Proviso exempts specified securities received by the promoters pursuant to an Approved Scheme from the general restriction on contribution towards the minimum promoter contribution of specified securities acquired during the preceding one year, however, clarity is required as to whether such exemption also extends to specified securities received by Relevant Persons pursuant to such scheme.

Suggestion of commentators - The relevant Regulation 15 Proviso should be read to include specified securities acquired by the Relevant Persons (not only the promoters) in lieu of business and invested capital that had been in existence for a period of more than one year to such approval.

- 3.6. **Analysis of Public Comments** - It is noted that under present regulations, exceptions under proviso (i) of Regulation 15(1)(b) and proviso (iv) of Regulation 15(1)(b), specifically mention such other Relevant Persons, in

addition to the promoters. However, the proviso (ii) of Regulation 15(1)(b) which provides that specified securities acquired pursuant to an Approved Scheme are eligible for promoters' contribution refers to securities acquired by the promoter only.

We agree with the commentator's view and given that specified securities acquired by the promoters in terms of an Approved Scheme are permitted to be contributed for MPC, we should also allow for specified securities acquired by the Relevant Persons in terms of an Approved Scheme, for the MPC contribution.

3.7. Proposal for Board approval -

3.7.1. Following amendment to the relevant provisions of the Regulation 8 (for IPO) and Regulation 105 (for FPO) of ICDR Regulations:

Existing Provision	Proposed Recommendation
<p>“Provided further that the requirement of holding equity shares for a period of one year shall not apply:</p> <p>...</p> <p>b) if the equity shares offered for sale were acquired pursuant to any scheme approved by a High Court or approved by a tribunal or the Central Government under the sections 230 to 234 of Companies Act, 2013, as applicable, in lieu of business and invested capital which had been in existence for a period of more than one year prior to approval of such scheme;”</p>	<p>“Provided further that the requirement of holding equity shares for a period of one year shall not apply:</p> <p>...</p> <p>b) if the equity shares <u>or equity shares arising out of conversion of fully paid-up compulsorily convertible securities</u> are offered for sale <u>where such equity shares or fully paid-up compulsorily convertible securities</u> were acquired pursuant to any scheme approved by a High Court or approved by a <u>T</u>ribunal or the Central Government under the sections 230 to 234 of <u>the</u> Companies Act, 2013, as applicable, in lieu of business and invested capital, which had been in existence for a period of more than one year prior to approval of such scheme;”</p>

3.7.2. Following amendment to the relevant provisions of the Regulation 15 (1) (b) proviso (ii) and Regulation 237 (1) (b) proviso (ii):

Existing Provision	Proposed Recommendation
<p>“Provided that nothing contained in this clause shall apply:</p> <p>...</p> <p>(ii) if such specified securities are acquired in terms of the scheme under sections 230 to 234 of the Companies Act, 2013, as approved by a High Court or a tribunal or the Central Government, as applicable, by the promoters in lieu of business and invested capital that had been in existence for a period of more than one year prior to such approval;”</p>	<p>“Provided that nothing contained in this clause shall apply:</p> <p>...</p> <p>(ii) if such specified securities are acquired in terms of the scheme under sections 230 to 234 of the Companies Act, 2013, as approved by a High Court or a tribunal or the Central Government, as applicable, by the promoters <u>or alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India or any non-individual public shareholder holding at least five per cent. of the post-issue capital or any entity (individual or non-individual) forming part of promoter group other than the promoter(s), as applicable</u> in lieu of business and invested capital that had been in existence for a period of more than one year prior to such approval;”</p>

4. Clarification on treatment of share based benefits granted prior to filing of draft red herring prospectus (DRHP) to founders who are classified as promoters at the time of filing of DRHP

4.1. Existing Regulations -

4.1.1. The term “employee” has been as defined in terms of Regulation 2(1)(i) of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 as follows:

“ ‘employee’, except in relation to issue of sweat equity shares, means

- i. an employee as designated by the company, who is exclusively working in India or outside India; or*
- ii. a director of the company, whether a whole time director or not, including a non- executive director who is not a promoter or member of the promoter group, but excluding an independent director; or*
- iii. an employee as defined in sub-clauses (i) or (ii), of a group company including subsidiary or its associate company, in India or outside India, or of a holding company of the company, but does not include-
 - a) an employee who is a promoter or a person belonging to the promoter group; or*
 - b) a director who, either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten per cent of the outstanding equity shares of the company;” (Emphasis supplied)”**

4.1.2. In regards to eligibility to participate in company schemes, Regulation 4 of the SBEB Regulations state the following:

“4. Eligibility.

An employee shall be eligible to participate in the schemes of the company as determined by the compensation committee.” (Emphasis supplied)

4.1.3. Regulation 9 of the SBEB Regulation deals with the transferability of the options. Specifically, Regulation 9(6) deals with conditions regarding ESOPs once an employee ceases to be an employee. Regulation 9(6) of the SBEB Regulations is reproduced below:

“9(6) In the event of resignation or termination of an employee, all the options, SAR or any other benefit which are granted and yet not vested as on that day, shall expire:

Provided that an employee shall, subject to the terms and conditions formulated by the compensation committee under sub-regulation (3) of regulation 5 of these regulations, be entitled to retain all the vested options, SAR or any other benefit covered by these regulations.”

Explanation - The cessation of employment due to retirement or superannuation shall not be covered by this sub-regulation, and such options, SAR or any other benefit granted to an employee would continue to vest in accordance with the respective vesting schedules even after retirement or superannuation in accordance with the company’s policies and the applicable law.” (Emphasis supplied)

4.2. Need for review -

4.2.1. In many new age tech companies, with each successful round of investments raised by these companies, the founders’ shareholding in the company gets diluted. In order to keep the founders incentivized over the long run despite such dilution and avoid cash flow strains (attributable to enhanced managerial remuneration) on the company, the investors and the management of the company typically offer ESOPs or other share based benefits to founders to incentivize such founders to scale their ventures for a longer term. Also, in a number of cases, ESOPs are also performance linked incentives offered to founders to keep them motivated and invested in the company and continuing to serve the company.

4.2.2. Thus, the founders of various new age tech companies often receive ESOPs or equity-linked instruments over cash-based remunerations in formative years of such companies. This also aligns the interest of the founders with the other shareholders in a company.

4.2.3. In terms of SBEB Regulations, 'promoters' and 'members of promoter group' are not entitled to receive ESOPs. The definition of "employee" in the SEBI SBEB Regulations specifically excludes 'promoters' and 'members of promoter group' as well. Similarly, in terms of Section 62(1)(b) of Companies Act read with Rule 12 of The Companies (Share Capital and Debenture) Rules, 2014 ("Share Capital and Debenture Rules"), a 'promoter' and 'member of promoter group' is not included within the ambit of the term 'employee'.

4.2.4. The existing Regulatory framework as prescribed under the ICDR Regulations requires a person to be promoter who has, inter-alia, control over the affairs of the issuer, directly or indirectly whether as a shareholder, director or otherwise. Thus, there may result scenarios where founders of company may have to be classified as promoter at the time of filing of the Draft Red Herring Prospectus (DRHP), due to their shareholding including options which are vested / granted.

4.2.5. Accordingly, if founders are classified as 'promoters' at the time of filing of DRHP, the existing provisions have been construed as barring an Employee holding ESOPs or other share based benefits who is subsequently categorized as Promoter to exercise their granted ESOPs (both vested and unvested) or other share based benefits.

4.3. Suggestion/ Representation received -

4.3.1. Currently, SBEB Regulations neither specifically allow nor disallow exercise of granted ESOPs (both vested and unvested) when Employee holding such ESOPs is subsequently categorized as Promoter. Based on the representations received, it is suggested that an explanation may be added to state that share based benefits granted to founders would continue upon such founder being classified as promoter in the DRHP.

4.3.2. The requirement of no new issuances under Share Based Employee Benefit Scheme to promoters, would continue being applicable to such founders who are categorized as promoter.

4.4. Rationale -

- 4.4.1. On perusal of the Companies Act and Rules, it appears that Employees can be offered shares as part of the Employee Stock Option Scheme. However, it does not specifically prohibit conversion of such option once an individual ceases to be an Employee. In this regard, in respect of listed companies, Regulation 9(6) of the SBEB Regulations already offers a precedence wherein if an individual ceases to be an employee after receipt of vested ESOPs can exercise such ESOPs. Further, in cases of retirement or superannuation, granted ESOPs would continue to vest as per the vesting schedule even after retirement or superannuation.
- 4.4.2. Thus, it is noted that the existing SBEB Regulations permit to grant ESOPs to an individual when the individual is an employee and its exercise can be made even after the said individual no longer remains as an Employee. Further, in the case of retirement or superannuation, ESOP/ options granted but not vested would also continue to vest.
- 4.4.3. Companies (Share Capital and Debentures) Rules, 2014 do not permit issuance of ESOPs to Promoters. However, the provision is not applicable for start-up companies¹ up to ten years from the date of its incorporation or registration.
- 4.4.4. At the stage of filing DRHP, the classification of founder as promoter arises out of practice of considering the shareholding including options which are either vested or granted. These options/ other benefits are part of the remuneration of the employee. Thus, adopting a view that an employee who is categorised as promoter due to his role as a founder and the shareholding including options/ benefits having to forego these options/benefits may not be appropriate.

¹ In terms of Companies (Share Capital and Debentures) Rules, 2014, a startup company is as defined by Department of Promotion of Industry and Internal Trade (DPIIT) in its notification dated February 19, 2019.

4.4.5. At the same time, a suitable cooling off period is maintained between the grant of such options/ other share based benefits and the time when the company decides to pursue an Initial Public Offering to avoid any misuse or abuse.

4.4.6. Accordingly, comments were sought from public on the suggestion on amendments to that an explanation may be added to Regulation 9(6) of the SBEB Regulations. The said explanation will allow employee(s) who are identified as promoter to be eligible to hold, exercise or avail share based benefits granted prior to one year from the date when the Board of the Company decides to undertake IPO.

4.5. **Public Comments** - In respect of the aforementioned suggestion contained in the consultation paper, 11 commentators have offered specific comments on the proposal. 3 (Three) commentators have strongly agreed, 4 (Four) commentators have agreed and 4 (Four) commentators have partially agreed for amendment in SBEB Regulations. Though, the commenters are broadly in agreement with the proposals, few commentators have requested certain minor changes in the suggestion contained in the Consultation paper.

Comments received in respect of changes to the suggestion contained in the consultation paper are elaborated below:

4.5.1. Many commentators have offered suggestions on the aspect of 'cooling off period' of the consultation paper *i.e.* the requirement of granting share based benefits one-year period prior to the Board meeting approving IPO. Some commentators have suggested that the requirement of cooling off period may be done away with, while others have suggested that period may be restricted to 6 months prior to the date on which founders are categorized as promoters. One commentator has suggested that cooling off period should commence one year after the gazette notification of the proposed amendment. Few commentators have agreed with retaining 1 year cooling off period.

4.5.2. One commentator while agreeing to the proposal has stated that, IPO-bound companies may pass multiple resolutions prior to the filing of the draft red herring prospectus enabling them to undertake the initial public offering (“IPO”), therefore, this holding period of the ESOPs should be linked to the aforesaid date of corporate action for identification of the promoters in preparation for the proposed IPO which will be easier to monitor.

Comments have also been received stating that suggestion in the consultation paper does not provide clarity, if the cooling off period needs to be calculated from the date of the resolution passed in connection with the company taking initial exploratory steps towards a potential IPO or the date of the resolution passed for approval of the IPO in terms of Section 62 of the Companies Act, 2013, or any interim, earlier, or later resolutions that may involve topics relating to a company’s IPO. Therefore, to avoid any ambiguity, one year holding period of ESOPs should be considered from the Date of Board Meeting in which such employees are designated / classified as ‘Promoter’.

4.5.3. One commentator while agreeing to the proposal has stated that, the suggestion in the consultation paper permits immediate exercise of ESOPs after the IPO which raises concerns such as possibility of market manipulation, dilution of existing shareholders’ stake, misalignment of interest etc. Therefore, the commentator has suggested that post-IPO, there should be a cooling off period for exercise of ESOPs to ensure fairness and prevent market manipulation.

Contrary to above suggestion, one commentator has stated that in terms of the existing ICDR Regulations, lock-in provisions are not applicable for equity shares allotted under an ESOP to employees, whether currently an employee or not. Such employees may have deservedly received such options and complied with all requirements of the respective schemes, as may be applicable. Therefore, in such a scenario, promoters should be treated on par with ex-employees.

Additional proposal suggested by commentators:

4.5.4. One commentator has suggested that, in order to incentivize such founder(s) and have their 'skin-in-the game' continuing post-listing, the founder(s) who are classified as promoters should be eligible for performance-based grant and exercise of stock options post-listing, and such corporate action of grant shall be subject to approval by shareholders by way of a special resolution post-listing.

4.5.5. One commentator has suggested that ESOPs granted to promoters legally under earlier applicable laws or under any exemptions should also be covered by the exemption proposed in Explanation 2. Specifically, this includes two scenarios:

- a) where promoters of the issuers received ESOPs before the enactment of Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014; and
- b) where start-up companies granted ESOPs within ten years of their incorporation or registration, under the proviso to Rule 12(1) of the Companies (Share Capital and Debentures) Rules, 2014.

4.6. Analysis of public comments-

4.6.1. In respect of comments received on the aspect of 'cooling off period' after due review, it is felt that removing the requirement may not be appropriate. A cooling off period ensures that this relaxation to carry ESOPs post IPO by Promoters is not misused or abused.

4.6.2. In respect of comments received on the aspect of starting of the cooling off period *i.e.* Board meeting date when the Board decides to undertake IPO, it is noted that commentators seek clarity as to which Board meeting should be considered. It is also submitted that not in every case, a founder would be required to be classified as promoter. In this regard, it is clarified that the date of filing of draft offer document shall be reckoned as the date of starting of the cooling off period. This shall be analogous to the requirement under ICDR Regulations that require that shares offered in OFS or for being considered for minimum promoter

contribution are required to be held for a period of one year from the date of filing of draft offer document.

4.6.3. In respect of comments regarding concerns of immediate exercise of ESOPs and possibility of such equity shares being sold by promoters, we agree with the views of the commentators. As regards the contrary views presented by another commentator that ESOPs to promoters may not be subject to lock-in after the IPO and treated on par with other ESOP holders, it may be noted that Promoters are required to lock-in their shareholding post IPO in order to demonstrate skin in the game. Exempting lock-in provisions to promoters who are holding ESOPs may result in possible misuse. Founders/ promoters may exercise ESOPs immediately post IPO and offer the same to market. As per Regulation 16 of the ICDR Regulations, specified securities of promoters are required to be locked- in for certain period after the date of allotment of IPO. Since specified securities includes convertible which provide the holder an option, no change in the existing regulations is warranted to address the concerns highlighted by the commentator.

4.6.4. As regards suggestion of permitting performance based grant of options to promoters post listing, it may be noted that in terms of Section 62(1)(b) of Companies Act read with Rule 12 of The Companies (Share Capital and Debenture) Rules, 2014 (“Share Capital and Debenture Rules”), a ‘promoter’ and ‘member of promoter group’ is not included within the ambit of the term ‘employee’. Thus, in order to implement the suggestion, changes would also be required to the Share Capital and Debenture Rules. In any case, SBEB Regulations permit issuance of sweat equity shares to Promoter Directors or the issuance of specified securities by way of preferential issue. Lastly, creating a framework for issuance of ESOPs to promoters only in a given category (say for new age tech companies) would be discriminatory and distort a level playing-field. Thus, given these various reasons and rationale, permitting issuance of ESOPs to promoters post listing is not considered feasible or appropriate.

4.6.5. As regards suggestion of ESOPs granted to promoters legally under applicable laws, we may agree with suggestion that such scenarios be covered under the proposed amendment to SBEB Regulations.

4.7. **Proposal for Board approval -**

4.7.1. Based on internal feedback and to bring clarity, it is proposed to insert a new regulation 9A, instead of initial proposal to add explanation to Regulation 9(6) in the SBEB Regulations, 2023. The new proposed Regulation 9A is as following:

Employee identified as promoter or part of the promoter group in the draft offer document.

9A. An employee who is identified as a “promoter” or part of the “promoter group” in the draft offer document filed by a company with the Board in relation to an initial public offering, and who was granted options, SAR or any other benefit under any scheme at least one year prior to filing of the draft offer document, shall be eligible to continue to hold and/or exercise such options, SAR or any other benefit, in accordance with its terms and subject to compliance with these regulations and other applicable laws.

5. Proposed amendments to the ICDR Regulations and SBEB Regulations

5.1. The proposals mentioned at paragraphs 3.7 and 4.7 above require amendments to the ICDR Regulations and SBEB Regulations. The proposed amendments to ICDR Regulations are placed at **Annexure III** and the proposed amendments to SBEB Regulations are placed at **Annexure IV**.

5.2. The amendments to ICDR Regulations and SBEB Regulations may be made applicable from the date of notification of the amendments.

6. Proposal to the Board

6.1. The Board is requested to consider and approve the proposals mentioned at paragraphs 3.7 and 4.7 above and the proposed amendments to the ICDR Regulations and SBEB Regulations as mentioned at paragraph 5 above.

6.2. The Board is also requested to authorize the Chairperson to take consequential and incidental steps to give effect to the decisions of the Board.

Encl.:

1. Annexure I - Consultation Paper (1 Page)
2. Annexure II - Compilation of Public Comments (1 Page)
3. Annexure III - Draft amendments to the ICDR Regulations (1 Page)
4. Annexure IV - Draft amendments to the SBEB Regulations (1 Page)

Annexure I

The consultation Paper is available at the following link:

<https://www.sebi.gov.in/reports-and-statistics/reports/mar-2025/consultation-paper-on-certain-amendments-to-sebi-icdr-regulations-2018-icdr-regulations-and-sebi-sbeb-and-se-regulations-2021-sbeb-regulations-92773.html>

Annexure II

This has been excised for reasons of confidentiality.

Annexure III

Amendment to SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, shall be notified after following the due process.

Annexure IV

Amendment to SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, shall be notified after following the due process.