



CIRCULAR

CFD/CMD/CIR/P/2017/115

October 10, 2017

To

All Listed entities
All the Recognised Stock Exchanges
All Depositories

Dear Sir/Madam,

Sub: Non-compliance with the Minimum Public Shareholding (MPS) requirements

1. Regulation 38 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") mandates a listed entity to comply with the Minimum Public Shareholding("MPS") requirements specified in rules 19(2) and 19A of the Securities Contracts (Regulation) Rules, 1957 in the manner as specified by the Board from time to time.
2. In terms of sub regulation (1) of regulation 97 of the Listing Regulations, recognized Stock Exchanges are mandated to monitor compliance by listed entities with the provisions of the Listing Regulations.
3. Sub regulations (1) and (2) of regulation 98 of Listing Regulations *inter-alia* specify the liability of a listed entity or any other person for contravention and action which can be taken by the respective recognized stock exchange and the revocation of such action, in the manner specified by the Board.
4. In order to maintain consistency and uniformity of approach in the enforcement of MPS norms mandated under regulation 38 of the Listing Regulations, the below mentioned procedure shall be followed by the recognised stock exchanges/depositories, as applicable, with respect to non-compliant listed entities, their promoters and directors:
 - 4.1. The recognized stock exchanges shall review compliance with MPS requirements based on shareholding pattern/ other filings made with them by the listed entities from time to time. Within 15 days from date of observation of non-compliance, the stock exchanges shall issue notices to such entities intimating all actions taken/ being taken as per this circular and advise the entities to ensure compliance.



4.2. On observing non-compliance:

- 4.2.1. The recognized stock exchange shall impose a fine of ₹5,000/- per day of non-compliance on the listed entity and such fine shall continue to be imposed till the date of compliance by such listed entity.
- 4.2.2. The recognized stock exchange shall intimate the depositories to freeze the entire shareholding of the promoter and promoter group in such listed entity till the date of compliance by such entity. The above restriction shall not be an impediment for the entity for compliance with the minimum public shareholding norms through the methods specified/approved by SEBI.
- 4.2.3. The promoters, promoter group and directors of the listed entity shall not hold any new position as director in any other listed entity till the date of compliance by such entity. An intimation to this effect shall be provided to the listed entity by the recognized stock exchange and the listed entity shall subsequently intimate the same to its promoters, promoter group and directors.

4.3. In cases where the listed entity continues to be non-compliant for a period more than one year:

- 4.3.1. The recognized stock exchange shall impose an increased fine of ₹10,000/- per day of non-compliance on the listed entity and such fine shall continue to be imposed till the date of compliance by such listed entity.
 - 4.3.2. The recognized stock exchange shall intimate the depositories to freeze all the securities held in the Demat account of the promoter and promoter group till the date of compliance by such entity. The above restriction shall not be an impediment for the entity with respect to compliance with the minimum public shareholding norms through the methods specified/approved by SEBI.
 - 4.3.3. Direction as per clause 4.2.3 above shall continue till the date of compliance by such entity.
5. The recognized stock exchange may also consider compulsory delisting of the non-compliant listed entity in accordance with the provisions of the Securities Contracts (Regulation) Act, 1956, the Securities Contracts (Regulation) Rules, 1957 and the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 as amended from time to time.
 6. The recognized stock exchanges may keep in abeyance the action or withdraw the action in specific cases where specific exemption from compliance with MPS



requirements under the Listing Regulations/ moratorium on enforcement proceedings has been provided under any Act, Court/Tribunal Orders etc.

7. In case it is observed that the listed entity has adopted a method for complying with MPS requirements which is not prescribed by SEBI under clauses (2)(i) to (vi) under SEBI circular No. CIR/CFD/CMD/14/2015 dated November 30, 2015 and approval for the same has not been obtained from SEBI under clause 2 (vii) of the said circular, the recognized stock exchanges shall refer such cases to SEBI.
8. With respect to the fines as stated above:
 - 8.1. The amount of fine realized as per the above structure shall be credited to the "*Investor Protection Fund*" of the concerned recognized stock exchange.
 - 8.2. If any non-compliant listed entity fails to pay the fine despite receipt of the notice as stated above, the recognized stock exchange may initiate appropriate action.
9. Upon intimation of compliance by the listed entity with the MPS requirements, the concerned recognized stock exchange shall, on being satisfied of such compliance:
 - 9.1. intimate the depositories to unfreeze the shares and other securities of the promoter and promoter group of the listed entity.
 - 9.2. intimate the listed entity that directions imposed in terms of clause 4.2.3 above shall not continue and the listed entity shall subsequently intimate the same to its promoters, promoter group and directors.
 - 9.3. disseminate the information in its website regarding the compliance achieved by the listed entity.
10. The recognized stock exchanges shall periodically disclose on their website the following—
 - 10.1. Names of non-compliant entities, amount of fine imposed, freezing of shares held by the promoters and promoter group and other actions taken against the entity;
 - 10.2. Status of compliance including details regarding fine paid by the entity.
11. The recognized stock exchanges may, having regard to the interests of investors and the securities market, take appropriate action in line with the principles and

procedures laid down in this Circular. Any deviation, therefore, should not dilute the spirit of the policy contained herein and may be made on reasonable grounds to be recorded in writing.

12. In order to ensure effective enforcement of the Listing Regulations, the depositories, on receipt of intimation from concerned recognized stock exchange shall freeze or unfreeze the shareholding of the promoter and promoter group in such entity and the other securities held by them, as applicable.
13. The actions specified in this Circular are without prejudice to the power of SEBI to take action under the securities laws for violation of the MPS requirements.
14. The Stock Exchanges are advised to bring the provisions of this Circular to the notice of listed entities and also to disseminate the same on its website.
15. This Circular shall come into force with immediate effect.
16. For entities which are non-compliant as on date of this circular:
 - 16.1. The stock exchanges shall undertake such action as prescribed under clause 4.2 or clause 4.3 of this circular depending on the period of non-compliance by the entity. However, the fines, as applicable, shall be imposed prospectively from the date of this circular.
 - 16.2. The provisions of this circular shall not apply to those entities where orders have already been passed by SEBI under provisions of Securities and Exchange Board of India Act, 1992/Securities Contracts (Regulation) Act, 1956 in relation to non-compliance with MPS requirements.
17. This Circular is issued under regulations 97, 98, 99 and 101 of Listing Regulations.
18. This Circular is available on SEBI website at www.sebi.gov.in under the categories "Issues and Listing" and "Legal".

Yours faithfully,

Pradeep Ramakrishnan
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Forensic Accounting Cell &
Compliance and Monitoring Division
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