



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/CFD/DCR-III/CIR/P/2021/615

August 13, 2021

To

**Recognized Stock Exchanges
Registered Depositories
Registered Stock Brokers
Registered Merchant Bankers
Registered Registrars to an Issue and Share Transfer Agents
Registered Depository Participants**

Sir / Madam,

Subject: Tendering of shares in open offers, buy-back offers and delisting offers by marking lien in the demat account of the shareholders.

1. SEBI, vide Circular No. CIR/CFD/POLICY CELL/1/2015, dated April 13, 2015 provided the mechanism for acquisition of shares through stock exchange mechanism pursuant to tender offers for the purpose of takeovers, buy back and delisting of securities. Subsequently, SEBI vide Circular No. CFD/DCR2/CIR/P/2016/131, dated December 09, 2016 streamlined the said mechanism.
2. Under the existing mechanism, the shares tendered by the shareholders are required to be directly transferred to the account maintained by the Clearing Corporation and different tendering processes are being adopted by Depositories. Such transfer involves systematic risk, substantial time and cost.
3. In consultation with Depositories, Clearing Corporations and Stock Exchanges, it has been decided that a lien shall be marked against the shares of the shareholders participating in the tender offers. Upon finalization of the entitlement, only accepted quantity of shares shall be debited from the demat account of the shareholders. The lien marked against unaccepted shares shall be released. The detailed procedure for tendering and settlement of shares under the revised mechanism is specified in the Annexure. All other procedures shall remain unchanged.
4. The aforesaid measures reduce the systematic risk and risks associated with the movement of securities from demat account of shareholders to Clearing Corporation account, vice-versa and make the process more investor friendly.

5. The said revised mechanism shall be applicable to all the tender offers for which Public Announcement is made on or after October 15, 2021.
6. Stock Exchanges and Depositories shall take necessary steps and put in place necessary infrastructure and systems for implementation of the mechanism and ensure compliance with the provisions of this Circular.
7. This Circular is being issued in exercise of the powers conferred under section 11(1) of the Securities and Exchange Board of India Act, 1992 read with regulation 18(6A) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, regulation 9(iii) of SEBI (Buy-back of Securities) Regulations, 2018 and regulation 17(2) and regulation 18 of SEBI (Delisting of Equity Shares) Regulations, 2021.
8. A copy of this Circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework > Circulars".

Yours faithfully,

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Annexure

Amendments to procedure for tendering and settlement of shares through Stock Exchange

a) Changes in respect of Intra Depository - Tender Offer Instructions (within Depository):

- i) The lien shall be marked in the depository system by the Depositories in the Beneficial Owner's Demat Account for the shares offered in tender offers.
- ii) Details of shares marked as lien in clients' demat account shall be provided by respective Depositories to Clearing Corporations (CC).
- iii) Details in respect of shareholder's entitlement for tender offer process shall be provided to CCs by Issuer / Registrar to an Issue and Share Transfer Agent (RTA) handling respective tender offer.
- iv) CC will cancel excess blocked securities and securities shall become free balance in shareholder's account.
- v) On settlement date, all blocked shares mentioned in accepted bid shall be transferred to CCs.

b) Changes in respect of Inter Depository Tender Offer (IDT) Instructions:

- i) In case of Client BO account is held with one Depository and CM pool and CC account are held with other Depository, shares shall be blocked in shareholder's BO account at source Depository, during the tendering period.
- ii) IDT instruction shall be initiated by shareholder at source Depository to CM pool/ CC account at target Depository. Source Depository shall block the shareholder's securities (i.e. transfers from free balance to blocked balance) and sends IDT message to target Depository for confirming creation of lien.
- iii) Details of shares blocked in shareholder's demat account shall be provided by target Depository to CCs.
- iv) CC shall cancel excess blocked securities in target Depository. Source Depository shall not be able to release lien without a release of IDT message from target Depository. Further, release of IDT message shall be sent by target Depository either based on cancellation request received from CCs or automatically generated after matching with Bid accepted detail as received from CCs / Issuer / RTAs.
- v) Post receiving the IDT message from target Depository, source Depository shall release excess quantity from shareholder's block balance to free balance. The CC, if any, shall be processed by source Depository and any increase in quantity or substitute ISIN shall be communicated to target depository in IDT message.

- vi) Post completion of tendering period and receiving the requisite details viz., demat account details and accepted bid quantity in respect of receiving entitlement details of securities of tender offer from CC, source depository shall debit the securities as per the communication/message received from target Depository to the extent of accepted bid quantity from shareholder's blocked balance and credit it to CC settlement account in target Depository on settlement date.
- vii) All extra quantity of shares which are not a part of accepted bid data provided by CCs shall be reversed by source depository based on the communication/message received from target Depository from the shareholders blocked balance and shall be credited in the free balance of respective demat accounts.
- viii) Depositories in coordination with stock exchanges and CCs shall make necessary changes in their system and ensure timely updation of the processes, as and when required.

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