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CDSL/OPS/RTA/POLCY/2024/182

October 15, 2024

SEBI CIR - MONITORING SHAREHOLDING OF MARKET INFRASTRUCTURE INSTITUTIONS.

Issuers / RTAs are advised to refer to the SEBI Circular no. **SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/139** dated **October 14, 2024**, regarding **Monitoring Shareholding of Market Infrastructure Institutions (MIs)**. [refer Annexure]

Issuers / RTAs are advised to take note of the same.

Queries regarding this communiqué may be addressed to: CDSL – Helpdesk Emails may be sent to: dprtasupport@cdslindia.com and connect through our IVR Number 022-62343333 .

For and on behalf of
Central Depository Services (India) Limited

sd/-

Nilesh Shah
Asst. Vice President - Operations

CIRCULAR

SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/139

October 14, 2024

To

**All Recognized Stock Exchanges
All Recognized Clearing Corporations
All Depositories
All Registrar and Transfer Agents**

Sir/Madam,

Subject: Monitoring Shareholding of Market Infrastructure Institutions (MIIs)

1. Paragraph 2.4 of Chapter 6 of SEBI Master Circular No. SEBI/HO/MRD2/PoD-2/CIR/P/2023/171 dated October 16, 2023 for 'Stock Exchanges and Clearing Corporations', paragraph 4.76 of Section 4 of SEBI Master Circular No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2023/166 dated October 06, 2023 for 'Depositories' and paragraphs 15.1.1 (IV) & (V) of Chapter 15 of SEBI Master Circular No. SEBI/HO/MRD/MRD-PoD-1/P/CIR/2023/136 dated August 04, 2023 for 'Commodity Derivatives Segment' prescribes the procedure for ensuring compliance with Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporation) Regulations, 2018 ('SECC Regulations, 2018') by listed Stock Exchanges.
2. SEBI vide letter dated July 17, 2017 addressed to depositories and stock exchanges issued guidelines on monitoring of ownership and other provisions of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 and SEBI (Depositories and Participants) Regulations, 2012 for listed stock exchanges and listed depositories.
3. In order to ensure ease of compliance and effective monitoring of the provisions related to minimum public shareholding, other shareholding limits and fit & proper criteria under SECC Regulations, 2018 and SEBI (Depositories and Participants) Regulations, 2018 (D&P Regulations, 2018) by Stock Exchanges, Clearing Corporations and Depositories (collectively referred as Market Infrastructure Institutions (MIIs)), based on the recommendations of Secondary Markets Advisory Committee of SEBI and subsequent deliberations, it has been decided that –

- 3.1. The framework for monitoring and ensuring compliance with shareholding norms currently applicable to listed Stock Exchanges and listed Depositories shall be applicable to all MIIs (i.e. both listed and unlisted); and
- 3.2. All MIIs shall disclose their shareholding pattern as per the requirements and formats specified for listed companies under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations, 2015) on their respective websites.
4. In view of the above, the framework for monitoring of the shareholding norms of MIIs is as under:
 - 4.1. Every MII shall appoint a depository as “Designated Depository (DD)” for the purpose of monitoring of their shareholding limits as per SECC Regulations, 2018 and D&P Regulations, 2018, as applicable. The DD of an MII, shall not be an associate (as defined under SECC Regulations, 2018) of the MII. In case of depository, the other depository shall be appointed as DD for monitoring its shareholding limits.

However, in case the ISIN of any MII is frozen for debits by the company (MII), the appointment of DD is not required for monitoring the shareholding limits of that MII. In such case, the MII shall verify the shareholding limits prior to recording the transfer of its shares.
 - 4.2. All MIIs shall disclose their shareholding with category wise breakup as per the requirements and formats specified for listed companies under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations, 2015) on a quarterly basis on their respective websites. In case of listed MII, the stock exchange where the shares are listed, shall also display the above information.
 - 4.3. The MIIs shall at the time of appointment of the DD provide the details of paid-up equity share capital including the number of shares to the DD and as and when there are changes, the same shall be informed to the DD on End of Day (EoD) basis.
 - 4.4. The DD shall monitor and inform the MII and stock exchange on which its shares are listed (in case of listed MII), as and when the threshold limit of 5% or 15%, as applicable under SECC Regulations, 2018 and D&P Regulations, 2018, is breached and take appropriate consequential actions, as mentioned at paragraph 4.9 of this circular.

4.5. The DD shall monitor and inform the MII and stock exchange on which its shares are listed (in case of listed MII), as and when threshold limit of combined holding of 49% of all persons' resident outside India (directly or indirectly, either individually or together with persons acting in concert) in the paid-up equity share capital of an MII is breached and take consequential actions as mentioned at paragraph 4.9 of this circular.

4.6. **For Stock Exchanges:**

4.6.1. The DD shall:

4.6.1.1. Have mechanism for coordination between the depositories for sharing of information regarding the shareholding of the stock exchange and ensure that the shareholding of Trading Members (TMs), their associates and agents does not exceed 49% of the paid-up equity share capital of the stock exchange.

4.6.1.2. Monitor the aggregate shareholding limit of the TMs, their associates and agents based on their demat balance, on a daily basis, at the end of the day. At the time of appointments of DD, all stock exchanges shall share the list of TMs, their associates and agents including their PANs, contact details, e-mail IDs with the DD and subsequent changes thereof shall also be informed to the DD to facilitate monitoring of demat balances. Stock exchanges shall give suitable instructions to their members to provide the details of their associates & agents and subsequent changes, if any.

4.6.1.3. Generate aggregate shareholding reports of TMs, their associates and agents on daily basis. The report shall be shared with the stock exchange, its Registrar & Transfer Agent (RTA), the stock exchange where it is listed (in case of listed stock exchange) and other depository. Post receipt of such report from DD, the stock exchange shall disseminate the aggregate shareholding percentage of TMs, their associates and agents on its website on a daily basis.

4.6.1.4. Send alerts to the stock exchange and TMs, their associates and agents about the breach of the caution shareholding limit of 45% by TMs, their associates and agents and the said information shall also be disclosed on the exchange website and the website of stock exchange where it is listed (in case of listed stock exchange).

4.6.1.5. Inform to the stock exchange, its RTA, the stock exchange where it is listed (in case of listed stock exchange) and other depository about any breach of

shareholding limit of 49% by TMs, their associates and agents. Stock exchange shall disseminate such breach on its website and the website of stock exchange where it is listed (in case of listed stock exchange).

4.6.2. The other depository shall provide on a daily basis the demat holdings of each TMs, their associates and agents in the stock exchange(s) held in its system at the End of Day (EOD) to the DD for computation of shareholding.

4.6.3. The TMs, their associates and agents shall obtain prior approval of the stock exchange(s) before acquisition of further shares, once the aggregate shareholding of all TMs, their associates and agents crosses the caution limit of 45%. The stock exchange shall provide to the DD the list of PANs which have sought approval for fresh purchases in the ISIN which has reached the caution limit. Such fresh purchases by a TM, their associates and agents who has obtained approval shall be marked as 'Approval obtained from Exchange'. In case any of the TMs, their associates and agents purchase shares without such approval of the stock exchange, the DD shall inform the same to the stock exchange and shall initiate appropriate consequential action as mentioned at paragraph 4.9 of this circular.

4.6.4. The TMs, their associates and agents shall also refer to the aggregate shareholding pattern under the category of TMs, their associates and agents, to determine/ascertain the available head room before placing the order.

4.7. **For recognized Clearing Corporations (CCs)**

4.7.1. The DD shall monitor that at least 51% of paid-up equity share capital of a CC shall always be held by one or more recognized stock exchange(s) and no recognized stock exchange shall, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than 15% of the paid-up equity share capital in more than one CC and take consequential actions as mentioned at paragraph 4.9 of this circular in case of any breach.

However, the provision at paragraph 4.7.1 would not be applicable to AMC Repo Clearing Limited (ARCL).

4.8. **Fit and Proper**

4.8.1. All the shareholders should be fit and proper persons at all times. For shareholding of a person who directly or indirectly, acquires or holds two percent or more equity shares or voting rights of any recognized stock

exchange or depository, the MII shall ensure that such shareholders are fit and proper at all times.

- 4.8.2. The MIIs shall notify on its website and undertake all measures to make investors aware of the requirement of eligibility for acquiring or holding its shares and fit and proper criteria for being its shareholders as per Regulation 19 and 20 of SECC Regulations, 2018 and Regulations 22 and 23 of D&P Regulations, 2018, as applicable.
- 4.8.3. In the pre-listing scenario, the exchange and depository coming out with a public offering shall include a declaration in the application form stating that the applicant is fit and proper in terms of Regulation 19 and 20 of SECC Regulations, 2018 and Regulations 22 and 23 of D&P Regulations, 2018, as applicable.
- 4.8.4. In the post listing scenario, a reference of the applicable Regulation with regard to fit and proper (*by mentioning the URL/weblink of Regulation 19 and 20 of the SECC Regulations, 2018; and Regulations 22 and 23 of D&P Regulations, 2018*) shall be made part of the contract note.
- 4.8.5. The listed stock exchange and listed depository and the stock exchange where the shares are listed shall notify on their websites that the shares of the listed stock exchange and listed depository shall only be dealt by fit and proper persons as per Regulation 19 and 20 of SECC Regulations, 2018 and Regulations 22 and 23 of D&P Regulations, 2018, as applicable.
- 4.8.6. The MIIs shall submit to SEBI on a quarterly basis an exceptional report regarding the shareholders who are not fit and proper and action taken thereof as per the format given below:

Sl. No.	Name of the Shareholder	Nature of Shareholder (Person resident India/ Person resident outside India)	% Holding	Reason for not fit and proper and action taken thereof

4.9. **Freezing of Voting Rights and Corporate Benefits**

- 4.9.1. Upon breach of the fit and proper criteria; and various threshold limits for shareholding of MIIs, the DD shall apply ISIN level freeze on the demat account of the relevant shareholder for the excess shareholding and inform the respective MII and RTA to disable e-voting for the account holder on

EoD basis. The DD shall initiate the freezing of corporate benefits, in the manner described below:

- 4.9.1.1. With respect to freezing of voting rights, the DD shall inform the MII, RTA and the other depository about the breach by the shareholders on EoD basis. The MII in consultation with the DD and RTA shall also disable the e-voting of the shareholder for the portion of the shareholding in excess of the regulatory requirement and the MII shall ensure that the shareholder's vote for such excess shareholding is not considered in the regular voting process.
- 4.9.1.2. With respect to corporate benefits, the DD shall inform the list of shareholders whose corporate benefits are to be frozen, to the MII and other depository on EoD basis. The MII or its RTA shall transfer the corporate benefits (dividend) of such shareholders on the portion of shareholding in excess of the regulatory requirement to their Investor Protection Fund (IPF) (for stock exchanges and depositories) and Settlement Guarantee Fund (SGF) (for CCs).
- 4.9.2. The divestment of any excess shareholding in a listed MII beyond the specified limit would be through a special window provided by the stock exchange where the shares of MII are listed. However, any excess shareholding in an unlisted MII shall be divested as per the directions given by SEBI on case to case basis.
5. The stock exchange or depository submitting application for listing of its securities to SEBI shall ensure strict compliance with Chapter VII of SECC Regulations, 2018 and Chapter VIII of D&P Regulations, 2018 respectively.

6. **Applicability:**

- 6.1. The provisions of this circular shall come into effect from **90th** day from the date of issuance of the circular.
- 6.2. Paragraph 2.4 of Chapter 6 of the SEBI Master Circular No. SEBI/HO/MRD2/PoD-2/CIR/P/2023/171 dated October 16, 2023 for 'Stock Exchanges and Clearing Corporations', paragraph 4.76 of Section 4 of SEBI Master Circular No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2023/166 dated October 06, 2023 for 'Depositories' and paragraph 15.1.1 (IV) & (V) of Chapter 15 of SEBI Master Circular No. SEBI/HO/MRD/MRD-PoD-1/P/CIR/2023/136 dated August 04, 2023 for 'Commodity Derivatives Segment' shall stand rescinded with effect from the date of implementation of this circular; and
- 6.3. SEBI letter dated July 17, 2017 to Depositories and Stock Exchanges on procedures for ensuring compliance with SECC Regulations, 2018 and D&P

Regulations, 2018 shall stand rescinded with effect from the date of implementation of this circular.

7. All MIs are advised to:

- 7.1. take necessary steps and put in place necessary systems for implementation of the above.
- 7.2. Make necessary amendments to the relevant bye-laws, rules and regulations, wherever required, for the implementation of the above; and.
- 7.3. bring the provisions of this circular to the notice of the market participants (including investors) and disseminate the same on their website

8. This circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act 1992 read with Regulation 51 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, Section 26(3) of the Depositories Act, 1996 and Regulation 97 of Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

9. This circular is available on SEBI website at www.sebi.gov.in at “Legal Framework - Circulars.”

Yours faithfully,

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