Feature and FAQ on Business Transfers/ Merger/ Demerger without change in control

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The salient features are as follows:

- The prior approval application for business transfer/ merger/demerger/amalgamation without change in control must be submitted to the Exchange before executing the business transfer agreement or filing the scheme with the NCLT/RD.

- The scheme/business transfer agreement shall include a clause regarding:
    i. honouring of all the financial commitments/obligations/liabilities of all the extinguishing Trading Members that devolved prior to business transfer or may devolve subsequent to the business transfer and shall be treated as if it were the liability of the transferee entity.
    ii. Surrendering of membership by the transferor entity
    iii. In case of partial transfer, BTA to include activities to be undertaken by the transferor.

- The transferor entity will have to obtain **positive consent** from all its clients, in case if liabilities are not getting transferred. An undertaking in this regard shall be required to be submitted to Exchange. In case of non-receipt of confirmation, such client cannot be transferred to the transferee and has to be closed out. Additionally, post surrender the deposits will be subject to lock-in period of 3 years.

- The transferor entity will have to obtain **consent** from all its clients, in case if liabilities are getting transferred. An undertaking in this regard shall be required to be submitted to Exchange.

- The transferor entity will have to obtain **positive consent** from all its Authorised Persons (AP). AP's not giving the consent has to be cancelled on or before the effective date.

- If liabilities are not transferred at the time of business transfer, the deposits will be subject to lock-in period of 3 years. If past, present and future liabilities are getting transferred, then lock-in period of 3 years shall not be applicable and deposits shall be released subject to receipt of no objection from SEBI and other departments of the Exchange and surrender approval from SEBI.

- The promoter group of the merged entity shall comprise of only the promoters of the Trading Members.

- In case of merger between two or more corporate Trading Members, the promoter group of shareholders in such emerging corporate Trading Member shall comprise of any or all the promoters of such merging Trading Members.

- The scheme of merger shall provide for the appropriation/transfer of the entire amount of security deposits of the extinguishing Trading Members with the Exchange/NSE Clearing in favour of the merged entity. Such deposits of the extinguishing Trading Members will be refunded to the merged entity only after the expiry of the respective lock in period of each of the extinguishing Trading Members. No interest shall be paid by the Exchange/NSE Clearing on such deposits. These deposits may however be considered towards net worth/capital adequacy requirements/exposure limits of the merged entity, as also for margin purposes.

- In case of violations, disciplinary actions shall be taken as per the Exchange circular no. NSE/INSP/73976 dated April 29, 2026.

- Clearing members have to obtain the prior approval from the Clearing Corporation as well.

FAQ for business transfer/ merger/demerger/amalgamation without change in control

a) Who shall submit the application to the Exchange?

Answer: i) NSE application has to be submitted by the Trading Member. In case if transferor and transferee both are trading members of NSE, then both have to submit the application separately.

ii) If NSE member is taking over the business of another trading member which is not registered with NSE, then NSE member has to apply to NSE to seek prior approval of such business transfer.

b) Who shall be signing the application and other documents?

Answer: designated director or director and compliance officer can sign the documents or any other individual as authorised by the Board.

c) Who shall be providing the Annexure B of the Checklist?

Answer: Annexure B has to be provided by the member entity in case the merger/transfer is between non-member and member entity or vice versa. If the merger/transfer is between two or more member entities, both have to provide Annexure B.

d) Can the Shareholding pattern of the transferor and transferee be self certified?

Answer: All the current shareholding patterns should be certified by the practicing CA/CS.

e) Whether draft scheme/business transfer agreement to be submitted to Exchange or the scheme filed with RD/NCLT/executed BTA.

Answer: Draft scheme/BTA to be submitted while applying for prior approval.

f) When will the deposit of merging member/transferor be released?

Answer: deposits shall be released after the lock-in period of 3years in case of non-transfer of liabilities. If past and present liabilities are transferred, then the deposits are not subject to 3 years lock-in.

g) Is SEBI approval required in case of merger/de-merger/business transfer without change in control

Answer: No, SEBI approval is not required in case of merger/de-merger/business transfer not amounting to change in control.

h) Do we need to submit proposed shareholding pattern and/or proposed networth certificate if there's no change in current shareholding pattern and/or current networth pursuant to the proposed merger/de-merger/business transfer of the transferee entity?

Answer: Yes, proposed networth and the proposed shareholding pattern has to be submitted even if there's no change pursuant to the proposed transfer of business/merger/demerger.

i) Do we have to submit the status reports of all the exchanges and depositories?

Answer: Yes, status reports of all the Exchanges (excluding NSE) and depositories, wherever member is registered, has to be submitted. In case member has applied for surrender in any of the Exchange, then member may submit the surrender letter of respective Exchange.

j) If a member is not active in any one of an Exchange but is registered as on the date of application, should we submit the Status reports.

Answer: Yes. If a member is registered in an Exchange and is inactive, then also status report of the said Exchange has to be submitted.

k) Can we make changes in the format of the shareholding pattern?

Answer: No, format shouldn't be changed. Shareholding pattern should be provided till Ultimate Beneficial Owner (except in case of listed entity).

l) What to mention in column "Under what capacity" of the Shareholding Pattern?

Answer: mention Promoter/Promoter Group/Person Acting in Concert, as applicable.

m) Is there any fee payable for processing the application for prior approval of merger/demerger/business transfer not amounting to change in control?

Answer: No, there's no fees charged for processing the application for prior approval of merger/demerger/business transfer which are not amounting to change in control.

n) In case if the member is a registered stockbroker as well a listed company, whether separate approval is required from Exchange?

Answer: Yes, separate approval from membership team and listing team is required to be obtained if the member is a stockbroker and is a listed entity as well.

o) Where to submit the application?

Answer: Application is to be submitted on ENIT Portal of Exchange in below path:
ENIT > Others > Document Repository > Select type of application.

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