

National Stock Exchange Of India Limited

DEPARTMENT : COMPLIANCE	
Download Ref. No. : NSE/COMP/38837	Date : September 07, 2018
Circular Ref. No. : 52/2018	

To All Members,

Sub: Revised Dominant Promoter Norms

In continuation to the circular no. 611 (download ref. no. NSE/MEM/9675) dated October 25, 2007, please find enclosed herewith the revised Dominant Promoter Norms.

All trading members are required to meet these norms on a continuous basis with immediate effect.

In case of any clarification, members are requested to contact Ms. Nipa Simaria/Ms. Sonal Sharma at 022-26598177 (Direct).

For and on behalf of
National Stock Exchange of India Limited

Suprabhat Lala
Senior Vice President

Telephone No	Fax No.	Email id
1800 22 00 51	+91-22-26598428	compliance@nse.co.in

REVISED DOMINANT PROMOTER GROUP NORMS**I. Constitution of Dominant Promoter Group****A. Unlisted Corporate Trading Member:**

Any person or persons holding 51% on their/his own or together with

- (i) their/his relatives as defined under Companies Act and/or
- (ii) the person(s) falling within the definition of 'Control' under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and/or
- (iii) the support of strategic investors in such corporate trading member

will be eligible to constitute dominant promoter group.

B. Listed Corporate Trading Member:

Any person or persons in control identified as promoters in the offer document or any person named as promoter in any document for offer of securities to the public or existing shareholders or in the shareholding pattern disclosed by the corporate trading member under the provisions of the Listing Agreement, whichever is later, will be eligible to constitute dominant promoter group.

Notes:

- (i) **'Strategic Investors'** – Corporate or individual investors that add value to investments they make through industry and personal ties that can assist companies in raising additional capital, including financial investors, venture capitalists and others who invest primarily with the aim of generating a large return on their investment.
- (ii) **Undertaking by persons extending support** - The person(s) who are extending support to the dominant shareholders shall execute an unqualified and irrevocable support in writing to the individual concerned in respect of such holding / interest.
- (iii) The persons in control of the trading member shall meet the criteria of fit and proper person similar to the criteria envisaged in the SEBI (Criteria for Fit and Proper Persons) Regulations, 2004 and being applied to intermediaries seeking registration from SEBI.
- (iv) **One dominant shareholder to be on Board** - Any one of the dominant promoter group shall be on the Board of directors of the trading member corporate, else at least two other directors having the requisite experience & qualification shall hold a minimum of 5% shares (each) in the paid up equity capital of the trading member company.

II. Corporate shareholders to be identified as dominant shareholders

Corporate shareholder is allowed to be identified as dominant shareholders (Dominant Promoter Group - DPG) of a corporate trading member provided that the corporate shareholder identifies any person or persons as their dominant promoter group as per the aforesaid norms applicable to the corporate trading member. In case the dominant promoter group consists of more than one corporate shareholder, the dominant promoter group shall be identified separately for each such corporate shareholder.

III. Banks, central or state government owned Finance and/or Development Institutions

The following entities are also allowed to be identified as dominant shareholder(s) provided they have a networth of atleast Rs.50 Crores:

- (i) Scheduled Banks;
- (ii) Central or State Government owned Finance and/or Development Institutions;
- (iii) Any financial institution registered with or regulated by any regulatory authority such as RBI, SEBI, IRDA;
- (iv) Any other financial institutions such as pension funds, sovereign wealth funds, investment funds including broad based funds which are registered or regulated by any regulatory authority

Further, the identification of any person or persons as its dominant promoter group will not be required for the entities covered under clause III (iii) & (iv), if it has a networth equivalent to atleast Rs.50 Crores.

IV. Foreign Entities

For foreign entities taking trading membership of the Exchange through their Indian subsidiary under the automatic approval route permitted by the Government, subject to compliance with the guidelines of the RBI in this regard:

- (i) The promoting foreign entity or its subsidiary should be either a bank or insurance organisation regulated by the Central Bank or such other appropriate regulatory authority of that country

Or

The promoting foreign entity or its subsidiary should be broking house/ participant in the securities market that is registered or regulated by the relevant regulatory authority of that country and that the relevant authority should be a member of International Organisation of Securities Commission (IOSCO). The entity should have a sound track record.

Or

The promoting foreign entity is one whose domestic arm or subsidiary is registered with SEBI for participation in any domestic venture for custodial or Asset Management services.

- (ii) The promoting foreign entity shall hold, directly or indirectly not less than 51 % of the controlling stake in the applicant company proposing to take the trading membership of the Exchange.
- (iii) The net worth of the entity having controlling stake in the applicant company or the promoting foreign entity should be at least Rs.50 Crores

A foreign entity may be allowed to become part of the dominant promoter group of an existing trading member corporate provided it meets the dominant promoter group norms as applicable to Indian entities, FIPB norms / RBI norms and any other requirements of the Exchange / SEBI as may be applicable from time to time.

V. Change in Shareholding:**A. Prior Approval of Exchange for change in shareholding:**

Once a corporate trading member nominates/determines a group of shareholders as its dominant promoter group, it is to be ensured that the dominant promoter group always maintains among themselves the minimum required shareholding as specified above at all points of time. Members are required to seek prior approval from the Exchange for any change in the shareholding / sharing pattern of the trading member corporate/ firm or the corporate shareholder (s)/ identified as dominant promoter (s).

B. Change in shareholding not construed as change in control / reconstitution of trading member:

Further, though there could be a change in the shareholding, in the following situations change in the shareholding / sharing pattern of the trading member corporate/ firm or the corporate shareholder (s)/ identified as dominant promoter (s) will not be construed as change in control or transfer of membership:

- (i) divesting of shares and quitting the dominant promoter group by one or more persons within the group provided it is ensured that the remaining dominant shareholders continue to hold the required controlling stake;
- (ii) inclusion or addition of another shareholder as a part of dominant promoter group shall not be treated as change in control so far as the earlier group of dominant shareholders hold the controlling stake, subject to a condition that the approved inclusion continues to be a part of the dominant promoter group for a period of atleast 3 years.
- (iii) acquisition of total control by a person or entity, who is a part of dominant promoter group of a trading member consequent upon cessation of joint control in favour of such person or entity;
- (iv) any change in the equity ownership of the trading member (without change in control by voting arrangements or management agreement or otherwise) that does not result in the shareholding of the dominant promoter group less than 51% in the case of unlisted companies;
- (v) change in the dominant promoter group through a take over process and / or a new group acquires controlling interest that is equal to or less than the controlling stake of the existing dominant promoter group, provided the existing dominant promoter group continues to hold the controlling stake.

C. Change in shareholding construed as change in control / reconstitution of trading member:

Unlisted Trading Member Corporates - any change in the shareholding / sharing pattern of the trading member corporate/ firm or the corporate shareholder (s)/ identified as dominant promoter (s) other than that mentioned under V-B hereinabove shall be treated as change in control.

Listed trading member corporates - change in control shall mean the same as assigned to the definition of 'Control' under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

VI. Disciplinary Action:

Failure to maintain the required level of shareholding will be treated as a breach of the continuing membership norms, which would tantamount to a reconstitution of the trading member corporate as the existing dominant promoter group would no longer hold controlling interest in the trading member corporate or alternatively a new group would have emerged with controlling stake. In such case NSE may initiate appropriate disciplinary action including withdrawal of the trading facility of such trading members.

VII. Applicability of Dominant promoter norms:

- (i) The above norms will be applicable even for the existing unlisted trading member corporate proposing to get listed and post listing they are required to meet the existing norms applicable to the listed corporate trading members;
- (ii) The aforesaid norms are also applicable to trading members who are partnership firms. The term dominant shareholder/promoter may be substituted as 'dominant partner';
- (iii) A corporate applicant or a partnership applicant is not required to identify dominant promoter or dominant partner, as the case may be while applying for registration of sub-broker or appointment of Authorised Person.