To
All Recognized Stock Exchanges
All Recognized Clearing Corporations
All Depositories

Dear Sir/Madam,

Subject: Comprehensive Framework on Offer for Sale (OFS) of Shares through Stock Exchange Mechanism

A. Based on the feedback received from various market participants, discussions with Stock Exchanges, Clearing Corporations and deliberations in Secondary Market Advisory Committee (SMAC) of SEBI, it has been decided to modify certain provisions of the existing OFS framework through Stock Exchange Mechanism. The comprehensive OFS framework is given as under:

1.0 Definitions

1.1 “Floor Price” is the minimum price at which the seller intends to sell the shares.

1.2 “Illiquid Shares” are securities not forming part of “Most liquid shares” and “Liquid shares”.

1.3 “Indicative Price” is the volume weighted average price of all the valid bids.

1.4 “Liquid Shares” are listed securities forming part of Group I securities as per SEBI circular No.MRD/DoP/SE/Cir-07/2005 dated February 23, 2005 and having mean impact cost of greater than 0.05 percent and less than or equal to 0.10 percent for a trade of Rupees One Lakh.

1.5 “Most Liquid Shares” are listed securities forming part of Group I securities as per SEBI Circular No.MRD/DoP/SE/Cir-07/2005 dated February 23, 2005 and having mean impact cost of up to 0.05 percent for a trade of Rupees One Lakh.
1.6 “Multiple Clearing Prices” are the prices at which the shares are allocated to the successful bidders in a price priority methodology.

1.7 “Shares” are the listed equity shares of the company.

1.8 "Single Clearing Price" is the price at which the shares are allocated to the successful bidders in a proportionate basis methodology.

1.9 “Size of the Offer” is the number of shares offered * floor price.

1.10 “T day” is first day of OFS.

1.11 “Units” are the listed units of Real Estate Investment Trusts (REITs) or Infrastructure Investment Trusts (InvITs).

2.0 Eligibility

2.1 Exchanges: The facility of OFS of shares shall be available on Bombay Stock Exchange (BSE), National Stock Exchange (NSE) and Metropolitan Stock Exchange of India (MSEI).

2.2 Sellers

2.2.1 All promoter(s) or promoter group entities of such companies that are eligible for trading and are required to increase public shareholding to meet the minimum public shareholding requirements in terms of Rule 19(2)(b) and 19A of Securities Contracts (Regulation) Rules, 1957 (SCRR), read with Regulation 38 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

2.2.2 OFS mechanism shall also be available to companies with market capitalization of INR 1,000 Cr. and above, with the threshold of market capitalization computed as the average daily market capitalization for six months’ period prior to the month in which the OFS opens. Any promoter or promoter group entity or non-promoter shareholder of such companies may offer shares through this mechanism.

2.2.3 In case a non-promoter shareholder offers shares through the OFS mechanism, promoter(s) or promoter group entities of such companies may participate in the OFS to purchase shares subject to compliance with applicable provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and Regulation 38 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
2.2.4 Promoters of eligible companies shall be permitted to sell shares within a period of 2 (two) weeks from the OFS transaction to the employees of such companies. The offer to employee shall be considered as a part of the said OFS transaction.

2.3 **Buyers:** All investors registered with the brokers of the aforementioned stock exchanges other than the promoter(s) or promoter group entities shall be eligible to buy shares under OFS. In case the offer is by non-promoter shareholder, the promoter(s) or promoter group entities may participate in the OFS, subject to compliance with the provisions of paragraph 2.2.3 above.

2.4 **Cooling Off Period**

2.4.1 The cooling off period for transaction (i.e. purchase or sale prior to and after the offer) in the shares of the company for the promoter(s) or promoter group entities and non-promoter shareholders for offering the shares through OFS mechanism shall be based on the liquidity of the shares on exchanges and are as under:

i. For most liquid shares: ±2 weeks  
ii. For liquid shares: ±4 weeks and  
iii. For illiquid shares: ±12 weeks  

2.4.2 Notwithstanding the cooling off period mentioned above, the promoter(s) or promoter group entities of companies whose shares are either liquid or illiquid can offer their shares only through OFS or Qualified Institutional Placement (QIP) with a gap of 2 weeks between successive offers.

2.4.3 In case of under subscription of OFS of a company whose shares are either liquid or illiquid and if the original OFS is made for compliance with Minimum Public Shareholding (MPS) norms, the promoter(s) or promoter group entities are allowed to offer the unsubscribed portion of the OFS only for the purpose of MPS compliance in the open market with a gap of 2 weeks from the closure of OFS, subject to compliance with all other applicable conditions.

3.0 Size of OFS of Shares

The size of the offer shall be a minimum of INR 25 Cr. However, size of offer can be less than INR 25 Cr. by promoter(s) or promoter group entities so as to achieve minimum public shareholding in a single tranche.

4.0 Advertisement and Offer Expenses

4.1 Advertisements about the OFS of shares through stock exchange(s), if any, shall be made after the announcement or notice of the OFS of shares to the stock exchanges in accordance with the provisions of this circular and its contents shall
be restricted to the contents of the notice as given under paragraph 5.2 below to the stock exchange.

4.2 All expenses relating to OFS of shares through stock exchange(s) shall be borne by the seller(s).

5.0 Operational Requirements

5.1 **Appointment of Broker:** The seller(s) will appoint broker(s) for this purpose. The seller’s broker(s) may also undertake transactions on behalf of eligible buyers.

5.2 **Announcement or Notice of the OFS of Shares:** Seller shall announce intention of sale of shares latest by 5 pm on T-1 days (T day being the day of the OFS) to the stock exchange. Stock exchanges shall inform the market immediately upon receipt of the notice. The stock exchange, however, may allow, on a case to case basis based on the request of the seller, the extension of this time up to 6 pm by recording reasons for granting such extension. Seller(s) shall announce the intention of sale of shares along with the following information:

- **5.2.1 Name of the seller(s) (promoter(s) or promoter group entities or non-promoter shareholders) and the name of the company whose shares are proposed to be sold.**

- **5.2.2 Name of the stock exchange(s) where the orders shall be placed. In case orders are to be placed on more than one stock exchanges, one of them shall be declared as the Designated Stock Exchange (“DSE”).**

- **5.2.3 Date and time of the opening and closing of the offer.**

- **5.2.4 Allocation methodology i.e. either on a price priority basis (at multiple clearing prices) or on a proportionate basis (at a single clearing price).**

- **5.2.5 Number of shares being offered for sale.**

- **5.2.6 Green Shoe Option:** The maximum number of shares that the seller may choose to sell over and above the offer made at paragraph 5.2.5 above.

- **5.2.7 The name of the seller broker(s) on behalf of the seller(s).**

- **5.2.8 Conditions, if any, for withdrawal or cancellation of the offer.**
5.3 **Floor Price**

5.3.1 Seller shall disclose the floor price latest by 5 pm (or latest by 6 pm, if extension is granted by stock exchange in terms of paragraph 5.2 above) on T-1 day to the stock exchange. Stock exchanges shall ensure that the same is informed to the market immediately.

5.3.2 The promoters may at their discretion offer these shares to employees at the price discovered in the said OFS transaction or at a discount to the price discovered in the said OFS transaction.

5.3.3 Promoters shall make necessary disclosures in the OFS notice to the exchange including number of shares offered to employees and discount offered, if any.

5.4 **Discount by Seller**

5.4.1 Seller may offer discount to retail investors. The details of discount and percentage of reservation for retail investors shall be disclosed upfront in the notice of OFS to the exchange.

5.4.2 Discount to retail investors may be offered as follows:

- a) **Multiple Clearing Price OFS**
  - i. Retail investors may be allocated shares at a discount to the cut-off price determined in the retail category, irrespective of the bid price entered by them. Or,
  - ii. Retail investors may be allocated shares at a discount to the bid price entered by them.

- b) **Single Clearing Price OFS**
  - i. Retail investors shall be allocated shares at a discount to cut off price determined in the retail category.

- c) In case of both of the above methodologies, the discounted price which shall be the final allocation price to the retail investors may be below the floor price.

5.5 **Timelines**

5.5.1 The duration of the OFS shall be as per the trading hours of the secondary market.
5.5.2 On the commencement of OFS on T day only non-retail investors shall be permitted to place their bids. Cut off price shall be determined based on the bids received on T day as per the extant guidelines.

5.5.3 The retail investors shall bid on T+1 day. The seller shall make appropriate disclosures in this regard in the OFS notice.

5.5.4 Orders shall be placed during trading hours.

5.6 Order Placement

5.6.1 A separate window for the purpose of sale of shares through OFS shall be created. The following orders shall be valid in the OFS window:

   a) Orders with 100% of margin paid upfront by institutional investors and non-institutional investors. Such orders can be modified or cancelled at any time during the trading hours.

   b) Orders without paying upfront margin by institutional investors only. Such orders cannot be modified or cancelled by the investors or stock brokers, except for making upward revision in the price or quantity.

5.6.2 Individual retail investors shall have the option to bid in the retail category and the general category (non-retail). However, if the cumulative bid value of such investors exceeds INR 2 lakhs, the bids in the retail category shall become ineligible.

5.6.3 To make it easier for retail investors to participate in OFS, it would be mandatory for sellers to provide the option to retail investors to place their bids at cut off price in addition to placing price bids. In order to do so, following conditions shall be applicable to the OFS:

   a) Sellers shall mandatorily announce floor price latest by 5 pm (or latest by 6 pm, if extension is granted by stock exchange in terms of paragraph 5.2 above) on T-1 day to stock exchange.

   b) Exchanges will decide upon the quantity of shares eligible to be considered as retail bids, based upon the floor price declared by the seller.

   c) There shall be no indicative price for the retail portion of OFS.

   d) Retail investors may enter a price bid or opt for bidding at cut-off price.
e) Margin for retail bids placed at cut-off price shall be at the cut-off price determined based on the bids received on T Day and for price bids at the value of the bid.

f) Bidding by retail investors on T+1 Day shall be based on the cut-off price determined in the non-retail category. In case of under subscription in the non-retail category, the retail investors shall be allowed to place their bids at floor price on T+1 day.

g) Seller may offer discount to retail investors on the cut off price determined based on the bids received on T+1 day.

h) Retail bids below the cut-off price of T day or the floor price, whichever is applicable, shall be rejected. Retail bids at cut-off price shall be allocated on proportionate basis in case of over subscription.

i) Any unsubscribed portion of non-retail category after allotment shall be eligible for allocation in the retail category and vice versa.

5.6.4 Cumulative bid quantity shall be made available online to the market throughout the trading session at specific intervals in respect of orders with 100% upfront margin and separately in respect of orders placed without any upfront margin. Indicative price shall be disclosed to market throughout the trading session for non-retail bids. The indicative price shall be calculated based on all valid bids or orders.

5.6.5 If the shares have a price band in the normal segment, the same shall not apply for the orders placed in the OFS. Stock specific tick size as per the extant practice in normal trading session shall be made applicable for this window.

5.6.6 In case of shares under OFS, the trading in the normal market shall also continue. However, in case of market closure due to the incidence of breach of ‘Market wide index based circuit filter’, the OFS shall be halted.

5.6.7 Non-retail investors shall be allowed to place only limit orders or bids.

5.6.8 Multiple orders from a single buyer shall be permitted.

5.6.9 On T Day orders or bids below floor price shall be rejected. On T+1 Day the orders or bids from retail investors below the cut-off price on the non-retail category or the floor price, whichever is applicable, shall be rejected.

5.6.10 Vide Gazette Notification No. SEBI/LAD-NRO/GN/2020/23 dated July 17, 2020, Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations) have been amended as under:
a) Clause 4(3)(b) of Schedule B read with Regulation 9 of PIT Regulations, inter-alia, states that trading window restrictions shall not apply in respect of transactions mentioned therein or transactions undertaken through such other mechanism as may be specified by the Board from time to time.

b) It has been decided that in addition to the transactions mentioned in Clause 4(3)(b) of Schedule B read with Regulation 9 of PIT Regulations, trading window restrictions shall not apply in respect of OFS and Rights Entitlements (RE) transactions carried out in accordance with the framework specified by the Board from time to time.

6.0 Risk Management

6.1 Clearing Corporation shall collect 100% margin in cash from non-institutional investors. In case of institutional investors who place orders or bids with 100% of margin upfront, custodian confirmation shall be within trading hours. In case of institutional investors who place orders without upfront margin, custodian confirmation shall be as per the existing rules for secondary market transactions. The funds collected shall neither be utilized against any other obligation of the trading member nor co-mingled with other segments.

6.2 In respect of bids in the retail category, clearing corporation shall collect margin to the extent of 100% of order value in cash or cash equivalents. Pay-in and pay-out for retail bids shall take place as per normal secondary market transactions.

6.3 In case of order or bid modification or cancellation, such funds shall be released or collected on a real time basis by the clearing corporation.

6.4 The seller(s) shall deposit the entire quantity of shares offered for sale including the additional shares disclosed, in terms of paragraph 5.2.6 above, as pay-in with the designated clearing corporation under the framework of interoperability of clearing corporations prior to the commencement of the offer. No other margin shall be charged on the seller(s).

7.0 Allocation

7.1 Minimum of 25% of the shares offered shall be reserved for mutual funds and insurance companies, subject to allocation methodology. Any unsubscribed portion thereof shall be available to the other bidders.

7.2 Minimum 10% of the offer size shall be reserved for retail investors. For this purpose, retail investor shall mean an individual investor who places bids for shares of total value of not more than INR 2 lakhs aggregated across the
exchanges. If the cumulative bid value across exchanges exceeds INR 2 lakhs in the retail category, such bids shall be rejected.

7.3 The cut-off price i.e. the lowest price at which the entire offer gets sold, shall be determined based on all valid bids. The cut off price shall be determined separately for bids received in the retail category and for bids received in the non-retail category.

7.4 Upon determining the cut-off price, the offer size reserved for retail investors shall be allocated to eligible bids of retail investors. In case of excess demand in retail category at the cut-off price, allocation shall be on proportionate basis.

7.5 In order to ensure that shares reserved for retail investors do not remain unallocated due to insufficient demand by the retail investors, the bids of non-retail investors shall be allowed to carry forward to T+1 day. Similarly, the unsubscribed portion of the non-retail segment shall be allowed for bidding in the retail segment.

7.6 Unsubscribed portion of the shares reserved for retail investors shall be allocated to non-retail bidders (un-allotted bidders on T day who choose to carry forward their bid on T+1 day) on T+1 day at a price equal to cut off price or higher as per the bids. In this regard, option shall be provided to such non-retail bidders to indicate their willingness to carry forward their bids to T+1 day. If the non-retail bidders choose to carry forward their bids to T+1 day, then, they may be permitted to revise such bids as per conditions prescribed in para 5.6.1. Settlement for such bids shall take place as per the existing rules for secondary market transactions.

7.7 The orders shall be cumulated by the DSE immediately on close of the offer. Based on the methodology for allocation to be followed as disclosed in the notice, the DSE shall draw up the allocation, i.e., either on a price priority basis (at multiple prices) or on a proportionate basis (at a single clearing price).

7.8 No single bidder other than mutual funds and insurance companies shall be allocated more than 25% of the size of OFS.

7.9 The allocation details shall be shared by the DSE with the other exchanges after the allocation is finalized.

8.0 Settlement

8.1 The allocation and the obligations resulting thereof shall be intimated to the brokers or clearing members on T day.

8.2 Settlement shall take place on trade for trade basis. For non-institutional orders or bids and for institutional orders with 100% margin, settlement shall take place on
T+1 day. In case of orders or bids of institutional investors with no margin, settlement shall be as per the existing rules for secondary market transactions.

8.3 Settlement for bids received on T+1 day shall be carried out as per the existing rules for secondary market transactions.

8.4 Funds collected from the bidders who have not been allocated shares shall be released after the download of the obligation.

8.5 On the day prior to settlement, to the extent of obligation determined, the designated clearing corporation of the seller broker(s) under the framework of interoperability among clearing corporations shall transfer such number of shares to the other interoperable clearing corporations. The other interoperable clearing corporation(s) shall transfer funds consideration to designated clearing corporation on settlement day. Excess shares, if any, shall be returned to seller broker(s). The direct credit of shares shall be given to the demat account of the successful bidder provided such manner of credit is indicated by the broker or bidder.

9.0 Handling of Default in Pay-in

9.1 In case of default in pay-in by any investor, 10% of the order value shall be charged as penalty from the investor and collected from the broker. This amount shall be credited to the Investor Protection Fund of the stock exchange.

9.2 The price at which allotments have been made based on the allocation on T day shall not be revised as a result of any default in pay-in.

9.3 Seller(s) shall have the option to cancel in full or conclude the offer.

9.4 Allotment details after settlement shall also be disseminated by the exchange.

9.5 Allocation details after settlement shall be consolidated by the DSE and excess shares, if any, shall be returned by the respective Clearing Corporation to the seller broker(s).

9.6 Settlement Guarantee Fund shall not be available for OFS through stock exchange mechanism.

10.0 Issuance of Contract Notes

The brokers shall be required to issue contract note to the client based on the allotment price and quantity in terms of conditions specified by the exchange.
11.0 Withdrawal of Offer

The OFS may be withdrawn prior to its proposed opening. In such a case there will be a cooling off period of 10 trading days from the date of withdrawal before an offer is made once again. The stock exchange(s) shall suitably disseminate details of such withdrawal.

12.0 Cancellation of offer

Cancellation of offer shall not be permitted during the bidding period. If the seller(s) fails to get sufficient demand from non-retail investors at or above the floor price in T day, then the seller may choose to cancel the offer, post bidding, in full (both retail and non-retail) on T day and not proceed with offer to retail investors on T+1 day. The stock exchange(s) shall suitably disseminate details of such cancellation.

B. OFS Framework for sale of units of Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs)

1.0 OFS for sale of units of REITs and InvITs by sponsor(s) or sponsor group entities, and other unitholders shall be permitted only in publicly issued and listed REITs and InvITs. The OFS framework for REITs and InvITs shall be equivalent to the OFS framework prescribed at paragraph-A above for equity shares of listed companies.

C. Applicability:

1.0 The provisions of this Circular shall come into effect from 30th day of issuance of this circular.

2.0 The existing provision on OFS issued through various SEBI circulars mentioned as under shall be rescinded with effect from the date of implementation of this circular:

i. Circular No.CIR/MRD/DP/18/2012 dated July 18, 2012,
ii. Circular No.CIR/MRD/DP/04/2013 dated January 25, 2013,
iii. Circular No.CIR/MRD/DP/17/2013 dated May 30, 2013,
iv. Circular No.CIR/MRD/DP/24/2014 dated August 08, 2014,
v. Circular No.CIR/MRD/DP/32/2014 dated December 01, 2014,
vi. Circular No.CIR/MRD/DP/12/2015 dated June 26, 2015,
vii. Circular No.CIR/MRD/DP/36/2016 dated February 15, 2016,
viii. Circular No.CIR/MRD/DP/65/2017 dated June 27, 2017 and
ix. Circular No.SEBI/HO/MRD/DOP I/CIR/P/2018/159 dated December 28, 2018

D. Stock Exchanges are advised to:

i. take necessary steps and put in place necessary systems for implementation of above.
ii. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above.

iii. bring the provisions of this circular to the notice of the member brokers of the stock exchange and also to disseminate the same on their website.

E. This circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interest of investors in securities and to promote the development of and to regulate the securities market.

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

Yours faithfully,

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