

CONSULTATIVE PAPER ON REVISION OF PROVISIONS PERTAINING TO RE-CLASSIFICATION OF SHAREHOLDERS

A. Background and need for review

1. Regulation 31A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations) provides for conditions with respect to re-classification of shareholders of listed entities. (Detailed provisions of Regulation 31A is placed at **Annex-A**).
2. Based on representations received by SEBI, discussions with stakeholders, etc., it was felt that there is a need to re-visit the existing Regulation 31A with an aim to simplify, streamline and bring greater clarity in the provisions specified therein.
3. The Kotak Committee on Corporate Governance in its report to SEBI dated October 5, 2017 also provided certain recommendations for rationalizing the existing requirements under Regulation 31A with respect to norms pertaining to professionally managed entities and to introduce new requirement enabling one of multiple promoters to get re-classified. (*Detailed recommendations of Kotak Committee on this aspect is placed at Annex-B*).
4. Having analysed the recommendations of the Kotak Committee and various representations received by SEBI, it was felt that the existing Regulation 31A may be revised.

B. Proposal:

In view of the above, it is proposed that the existing Regulation 31A may be revised as under:

1. Simplification of conditions for classification:
 - (i) Under the current provisions, certain conditions for re-classification of promoters as public shareholders have been specified for different scenarios including:
 1. When a new promoter replaces the previous promoter subsequent to an open offer or in any other manner.
 2. Where an entity becomes professionally managed and does not have any promoters.Further, certain general conditions for re-classification of promoters as public shareholders have also been specified.
 - (ii) Further, the Kotak Committee has brought out that the SEBI LODR Regulations do not deal with a situation where there are multiple and distinct parties classified as promoters, and one of them wishes to be reclassified. The Committee was of the opinion that there ought to be a mechanism to enable such reclassification to ensure

persons who may have been promoters but are no longer in the day to day control and management and have a low shareholding should have the option to be reclassified as promoters. Accordingly, the Committee has suggested another new a set of conditions to be introduced as a new sub-Regulation 6A to be made applicable in such situations.

- (iii) It is felt that having different set of conditions for different scenarios might be confusing. It may also not possible to cover all scenarios within the ambit of this Regulation.
- (iv) Hence, in order to simplify the existing provisions, it is proposed to have a single set of conditions applicable to all situations of re-classification of promoters as public shareholders. The object is that reclassification ought to be done in a fair and transparent manner keeping in mind the interests of the public shareholders.

2. Process to be followed for re-classification of promoters as public shareholders:

As stated earlier, under the current provisions, since different conditions are applicable to different scenarios, the process to be followed in each case is different. Further, shareholder approval is required only in certain specified cases and not in all cases. Hence, it is proposed to have a uniform process containing clear stages to be followed by the listed entity and the promoters in all cases of promoter re-classification, as under:

- (i) **Stage I: Application by the promoter to the listed entity for re-classification as a public shareholder:**
 - 1. Currently, the application for reclassification may be filed either by the listed entity or concerned shareholder to the stock exchange.
 - 2. It has been observed that permitting the listed entity to re-classify a promoter as a public shareholder without any application for such re-classification from the concerned promoter is prone to misuse. Further, there is no specific requirement for the promoter to apply for re-classification through the listed entity.
 - 3. Therefore, it is proposed that re-classification is to be permitted only upon the request of the promoter to the listed entity.
- (ii) **Stage II: Placing the request of the promoter before the Board of Directors of the listed entity:**
 - 1. There is no clear role of the Board of Directors of the listed entity under the current provisions of SEBI LODR Regulations in the matter of re-classification of a promoter into a public shareholder.
 - 2. It is proposed that on receipt of request for reclassification from the promoter, the listed entity shall be required to place it before its Board of Directors and the

recommendations of the Board (positive/negative) may be required to be placed before the shareholders.

(iii) **Stage III: Approval by the shareholders:**

1. Shareholder approval is currently required only in certain specified cases. The profile of promoters/ promoter group is generally an important criteria for investors to make their investment decisions. Therefore, it is critical that investors have a say in all reclassification requests of promoters.
2. Hence, it is proposed that in all cases of re-classification of promoters, including the recommendation of the Board, shall be required to be placed by the listed entity before the shareholders in a general meeting and approved through an ordinary resolution. In order to avoid conflict of interest, it is proposed that the specific promoter who has requested such reclassification, its promoter group and persons acting in concert shall not be permitted to vote on such resolution.
3. Further, the listed entity shall ensure a time gap (*a cooling off period*) of at least **6 months between the date of Board Meeting and the shareholder's meeting** considering the request of the promoter.

It may be noted that the stages mentioned above are on the lines of the recommendations made by Kotak Committee and PMAC on the matter. Such stages will also ensure that there are enough checks and balances in place to ensure that the interests of all stakeholders are safeguarded.

3. Conditions applicable for promoters to be eligible for re-classification as public shareholders:

- (i) Under the current provisions, the conditions for a promoter to get re-classified as public shareholders are different under different scenarios. It is proposed to rationalize the existing conditions and have a single set of criteria for any promoter(s) to get re-classified as public shareholders.
- (ii) The main concern with respect to outgoing promoters is that they should not be permitted to exercise control over the listed entity, directly or indirectly and cease to be promoters in spirit. Accordingly, the conditions proposed are aimed at addressing this concern.
- (iii) It is therefore proposed that in all cases of promoter re-classification, the specific promoter seeking reclassification as a public shareholder, its promoter group and the Persons Acting in Concert shall not:
 1. hold more than 10% of the total voting power in the listed entity;
 2. exercise control over the affairs of the listed entity directly or indirectly;

3. have any special rights with respect to the listed entity through formal or informal arrangements including through any shareholder agreements;
 4. be represented on the Board of Directors (*including by way of a nominee director*) of the listed entity;
 5. act as a key managerial person in the listed entity;
- (iv) Further, the promoter seeking reclassification shall not be a wilful defaulter as per **RBI Guidelines as on the date of the shareholder's meeting** considering the request of the promoter.
- (v) It is proposed that the above conditions would also apply where the listed entity has more than one person identified as promoter and one/ some of them are considering reclassification to public shareholders, and where continuing promoter(s) are not related to the outgoing promoter(s).
4. Re-classification to be permitted only by compliant listed entities: In order to ensure that only compliant listed entities are eligible to apply for re-classification, such listed entities shall, as on the date of application:
- (i) Be compliant with minimum public shareholding requirement;
 - (ii) Not have their shares suspended from trading by the stock exchanges;
 - (iii) Not have any outstanding dues to SEBI or the stock exchanges;
5. Applicability of re-classification provisions in case of transfer of shares by way of transmission/succession/inheritance/gift:
In order to have greater clarity in case of transmission / succession / inheritance/ gift, it is proposed to include the following provisions:
- (i) Immediately on such transfer, the inheritor shall be classified as promoter.
 - (ii) Subsequently, in case the inheritor now classified as a promoter proposes to seek re-classification of status as a public shareholder, it may do so subject to compliance with conditions as specified in B2, B3 and B4 above.
 - (iii) In case of death of a promoter, such person shall automatically cease to be included as a promoter subsequent to transmission of shares to an inheritor(s).

6. Listed entities with no promoters:

- (i) Currently, Regulation 31A provides for several conditions to be satisfied by a listed **entity to be classified as ‘professionally managed’** including a condition that no person or group along with persons acting in concert taken together shall hold more than 1% of the paid-up equity capital of the entity.
- (ii) The Kotak Committee has stated that this current threshold of 1% is too low and merits an increase to 10%. Accordingly, the Kotak Committee has recommended various conditions for such entity to be classified as a professionally managed entity including the limit of ten per cent shareholding, promoter not to be on the Listed Entity Board / management/ not have a nominee director, no other promoter, etc.
- (iii) The conditions as suggested by the Kotak Committee including 10% shareholding has already been specified in clause 3 above.
- (iv) It is therefore proposed to simplify the provision as under:
 1. Rather than terming the company as **‘professionally managed’**, we may replace **the term with ‘the listed entities having no promoter’** which may be more appropriate.
 2. It may be specified that a listed entity shall be considered as ***‘the listed entities with no promoter’*** if due to re-classification or otherwise, the entity does not have any promoter.

7. Role of the stock exchanges:

- (i) Currently, the authority to allow re-classification of any shareholder lies with the stock exchanges. It is proposed to continue the said process and in line with the same, the following provisions are proposed to be specified:
 1. Reclassification / modification of the status of any shareholder shall be permitted by the stock exchanges only upon receipt of a request from the listed entity (***after undergoing all the stages specified in clause 2 above***) along with all relevant documents.
 2. Re-classification of status of any promoter as a public shareholder shall be permitted only upon satisfaction of conditions specified in 2, 3, 4 and 5 above.
 3. The concerned stock exchanges shall jointly decide on the application of the concerned listed entity and allow modification or reclassification of the status of the shareholders on being satisfied with the compliance of the conditions mentioned in the regulation.

- (ii) Further, in order to bring in greater transparency in the process of re-classification, it is proposed that the following events be required to be disclosed by the entity to the stock exchanges as material events as soon as reasonably possible and not later than twenty four hours from the occurrence of event:
1. Receipt of application for re-classification from the promoter by the listed entity.
 2. With respect to disclosures pertaining to dispatch of notice to the shareholders on the agenda as required under Regulation 30 read with Schedule III, the recommendation of the Board and rationale for such recommendation shall also be included.
 3. Submission of application for re-classification to stock exchanges.
 4. Decision of the stock exchanges as communicated to the listed entity.

(Under Reg 44(3) of SEBI LODR Regulations, the listed entity is required to submit to the stock exchanges, details regarding the voting results within forty eight hours of conclusion of its General Meeting. Therefore, the requirement for disclosure of shareholder decision has not been included here.)

8. Other existing conditions

It is proposed that several conditions existing currently under Regulation 31A may continue as specified hereunder:

- (i) Conditions for re-classification of public shareholders as promoters: If any public shareholder seeks to re-classify itself as promoter, it shall be required to make an open offer in accordance with the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- (ii) Relaxations for listed entities where insolvency proceedings have been initiated: The current relaxations applicable to the companies whose resolution plans have been approved under section 31 of the Insolvency Code shall continue.
- (iii) Power for relaxation of conditions: SEBI may relax any condition for re-classification in specific cases, if it is satisfied about non-exercise of control by the outgoing promoter or its persons acting in concert.

9. Draft Regulation

In view of the above, it is proposed that the current Regulation 31A may be replaced with new regulation enclosed. Draft regulation is placed **Annex C**.

C. Public comments

Comments on the above framework may be sent on or before August 16, 2018 in the following format:

Name of entity / person / intermediary/ Organization:			
Sr. No.	Issues	Suggestions	Rationale

Comments may be sent:

1. By email to Shri. Pradeep Ramakrishnan, DGM at pradeepr@sebi.gov.in and/or Ms. Nila Salil Khanolkar, AGM (nila@sebi.gov.in) / Shri. Rajesh Kumar Meena (rajeshm@sebi.gov.in); or
2. By post to the following address:

Ms. Nila Salil Khanolkar
Assistant General Manager
Corporation Finance Department, CMD-I,
Securities and Exchange Board of India
SEBI Bhavan, Plot No. C4- A, "G" Block,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051

Annex A: Present provisions of Reg 31A of SEBI LODR Regulations

31A. Disclosure of Class of shareholders and Conditions for Reclassification.

1. All entities falling under promoter and promoter group shall be disclosed separately in the shareholding pattern appearing on the website of all stock exchanges having nationwide trading terminals where the specified securities of the entity are listed, in accordance with the formats specified by SEBI.
2. The stock exchange, specified in sub-regulation (1), shall allow modification or reclassification of the status of the shareholders, only upon receipt of a request from the concerned listed entity or the concerned shareholders along with all relevant evidence and on being satisfied with the compliance of conditions mentioned in this regulation.
3. In case of entities listed on more than one stock exchange, the concerned stock exchanges shall jointly decide on the application of the concerned listed entity as specified in sub-regulation(2).
4. In case of transmission/succession/inheritance, the inheritor shall be classified as promoter.
5. When a new promoter replaces the previous promoter subsequent to an open offer or in any other manner, re-classification may be permitted subject to approval of shareholders in the general meeting and compliance of the following conditions.
 - a. Such promoter along with the promoter group and the Persons Acting in Concert shall not hold more than ten per cent of the paid-up equity capital of the entity.
 - b. Such promoter shall not continue to have any special rights through formal or informal arrangements. All shareholding agreements granting special rights to such entities shall be terminated.
 - c. Such promoters and their relatives shall not act as key managerial person for a **period of more than three years from the date of shareholders' approval**

Provided that the resolution of the said shareholders' meeting must specifically grant approval for such promoter to act as key managerial person.

6. Where an entity becomes professionally managed and does not have any identifiable promoter the existing promoters may be re-classified as public shareholders subject to approval of the shareholders in a general meeting

Explanation.- For the purposes of this sub-regulation an entity may be considered as Professionally managed, if-

- i. No person or group along with persons acting in concert taken together shall hold more than one per cent paid-up equity capital of the entity including any holding of convertibles/outstanding warrants/ Depository Receipts:
Provided that any mutual fund, bank, insurance company, financial institution, foreign portfolio investor may individually hold up to ten per cent paid-up equity capital of the entity including any holding of convertibles/outstanding warrants/Depository Receipts
 - ii. The promoters seeking reclassification and their relatives may act as key **managerial personnel in the entity only subject to shareholders' approval and for a period not exceeding three years from the date of shareholders' approval.**
 - iii. The promoter seeking reclassification along with his promoter group entities and the persons acting in concert shall not have any special right through formal or informal arrangements. All shareholding agreements granting special rights to such outgoing entities shall be terminated.
7. Without prejudice to sub-regulations (5) and (6), re-classification of promoter as public shareholders shall be subject to the following conditions:
- a. Such promoter shall not, directly or indirectly, exercise control, over the affairs of the entity.
 - b. Increase in the level of public shareholding pursuant to re-classification of promoter shall not be counted towards achieving compliance with minimum public shareholding requirement under rule 19A of the Securities Contracts (Regulation) Rules, 1957, and the provisions of these regulations.
 - c. The event of re-classification shall be disclosed to the stock exchanges as a material event in accordance with the provisions of these regulations.
 - d. Board may relax any condition for re-classification in specific cases, if it is satisfied about non-exercise of control by the outgoing promoter or its persons acting in concert.

8. If any public shareholder seeks to re-classify itself as promoter, it shall be required to make an open offer in accordance with the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

Annex- B- Extract of Kotak Committee recommendations pertaining to reclassification of shareholders

Re-classification of Promoters/Classification of Entities as Professionally Managed

Current regulatory provisions:

Presently, the Companies Act is silent on reclassification of promoters, while the SEBI LODR Regulations permit reclassification of promoters in limited circumstances.

SEBI LODR Regulations cover mainly four aspects on the subject: (i) requirement of approval of stock exchanges, (ii) reclassification when a promoter is replaced by a new promoter, (iii) reclassification where a company ceases to have any promoters (i.e. becomes professionally managed) and (iv) general conditions. The specific categories of reclassification as specified in points (ii) and (iii) require the approval of shareholders. In addition, in cases where the entity becomes professionally managed, the aggregate shareholding of a person or group along with **persons acting in concert (hereinafter referred to as “PACs”)** should not exceed 1%.

Recommendation and rationale:

The Committee is of the opinion that where there is no identifiable promoter/promoter group, the 1% threshold to be able to classify the entity as professionally managed is too low and merits an increase to 10% for the following reasons:

- **from the listed entity’s perspective, if a promoter (*being sole promoter*) along with its promoter group/PAC in aggregate holds less than 10%, it is unlikely to be able to exercise *de-facto* control; and**
- **from the promoter’s perspective, even after ceasing to be in control, a ‘promoter’ may want to continue as a financial investor with a shareholding of more than 1%, and in such cases, should not be required to reduce his/her shareholding to 1% or lower.**

In addition, the SEBI LODR Regulations also do not deal with a situation where there are multiple and distinct parties classified as promoters, and one of them wishes to be reclassified. The Committee is of the opinion that there ought to be a mechanism to enable such reclassification, to ensure that persons who may have been promoters but are no longer in **day-to-day control and management and have a low shareholding, should have an “opt-out” from being classified as “promoters”**. **The Committee is also of the view that any reclassification would have to be done in a fair and transparent manner, keeping in mind the interests of public shareholders.**

The Committee accordingly recommends the following:

- **Where there are multiple promoters/promoter groups and a specific promoter/promoter group wishes to undergo re-classification**

In case the following conditions are met:

- (i) promoters, promoter group and PACs cumulatively hold 10% or more of the aggregate shareholding and voting rights in a listed entity;
- (ii) **a specific person/entity therein (classified as a “specific promoter”), its promoter group and PACs cumulatively hold less than 5% of the aggregate shareholding and voting rights; and**
- (iii) the specific promoter or its promoter group or PAC are neither on the board of **directors of the listed entity (“Listed Entity Board”) (including not having a nominee director)** nor in the management of the listed entity and are not acting in concert with other persons forming part of the promoter and promoter group,

then, on request for reclassification being received from the specific promoter, the Listed Entity Board shall consider the same.

Post the Listed Entity Board’s consent, reclassification would require shareholder approval based on the Listed Entity Board’s (positive) recommendation. The specific promoter, its promoter group and PAC shall abstain from voting on such a resolution placed before the shareholders for approval.

- **Where there is only one specific promoter/ promoter group who/ which wishes to be re-classified and the entity wishes to be classified as professionally managed**

In the case of a promoter, where:

- (i) such promoter or its promoter group or PAC for that promoter is/are neither on the Listed Entity Board nor in management of the company nor has a nominee director;
- (ii) cumulative shareholding and voting rights of such promoter and its promoter group and PACs goes below 10%; and
- (iii) there are no other persons qualifying as promoters of the company,

then, on request for reclassification being received from the promoter, the Listed Entity Board shall consider the same.

Post the Listed Entity Board’s consent, reclassification would require shareholder approval based on the Listed Entity Board’s (positive) recommendation. All members of promoter, promoter group and PAC shall abstain from voting on such a resolution placed before the shareholders for approval.

Proposed amendments to SEBI LODR Regulations (with immediate effect):

Current provision in SEBI LODR Regulations	Proposed amended provision in SEBI LODR Regulations
<p>Reg 31A. Disclosure of Class of shareholders and Conditions for Reclassification.</p> <p>(6) Where an entity becomes professionally managed and does not have any identifiable promoter the existing promoters may be re-classified as public shareholders subject to approval of the shareholders in a general meeting.</p> <p><u>Explanation.</u>- For the purposes of this sub-regulation an entity may be considered as professionally managed, if-</p> <p>(i) No person or group along with persons acting in concert taken together shall hold more than one per cent paid-up equity capital of the entity including any holding of convertibles/outstanding warrants/ Depository Receipts:</p> <p>Provided that any mutual fund, bank, insurance company, financial institution, foreign portfolio investor may individually hold up to ten per cent paid-up equity capital of the entity including any holding of convertibles/outstanding warrants/Depository Receipts.</p> <p>(ii) The promoters seeking reclassification and their relatives may act as key managerial personnel in the entity only subject to shareholders’ approval and for a period not exceeding three years from the date of shareholders’ approval.</p>	<p>Reg 31A. Disclosure of Class of shareholders and Conditions for Reclassification.</p> <p>(6) Where an entity becomes professionally managed and does not have any identifiable promoter then existing promoter(s) may be re-classified as public shareholders, <u>on receipt of request in this regard from the promoter(s),</u> subject to approval of <u>the board of directors and the shareholders in a general meeting in which the promoter, promoter group and persons acting in concert shall not vote.</u></p> <p><u>Explanation.</u>- For the purposes of this sub-regulation, an entity may be considered as professionally managed, if-</p> <p>(i) No person<u>promoter</u> or <u>promoter</u> group along with persons acting in concert taken together shall hold more than one <u>ten</u> per cent paid-up equity capital of the entity including any holding of convertibles/outstanding warrants/Depository Receipts:</p> <p>Provided that any mutual fund, bank, insurance company, financial institution, foreign portfolio investor may individually hold up to ten per cent paid-up equity capital of the entity including any holding of convertibles/outstanding warrants/Depository Receipts.</p> <p>(ii) The promoter(s) seeking reclassification and their relatives may act as key managerial personnel in the</p>

(iii) The promoter seeking reclassification along with his promoter group entities and the persons acting in concert shall not have any special right through formal or informal arrangements. All shareholding agreements granting special rights to such outgoing entities shall be terminated.

~~entity only subject to shareholders' approval and for a period not exceeding three years from the date of shareholders' approval.~~ shall not be on the board of directors of the listed entity or in management of the listed entity or have a nominee director on the board of the listed entity.

(iii) The promoter(s) seeking ~~reclassification~~ along with his promoter group entities and the persons acting in concert shall not have any special right through formal or informal arrangements. All shareholding agreements granting special rights to such outgoing entities shall ~~have been~~ be terminated.

Insertion of a new sub-Regulation (6A):

(6A) Any person/entity (“Specific Promoter”) which is a part of promoters, promoter group or persons acting in concert with them may be re-classified as public shareholders, on receipt of request in this regard from the Specific Promoter, subject to the approval of the board of directors and approval of the shareholders in a general meeting, wherein the Specific Promoter(s), along with its promoter group and persons acting in concert shall abstain from voting on such resolution placed before the shareholders for approval, and provided the following conditions are met:

(i) promoters, promoter group and persons acting in concert of the listed entity cumulatively hold 10% or more

	<p><u>of the paid-up equity capital of the entity; and</u></p> <p>(ii) <u>the Specific Promoter, its promoter group and persons acting in concert cumulatively hold less than 5% of the paid-up equity capital of the entity;</u></p> <p>(iii) <u>Specific Promoter or its promoter group or persons acting in concert (a) is not on the board of directors of the listed entity or in management of the listed entity or have a nominee director on the board of the listed entity, and (b) is not acting in concert with other persons forming part of the promoter and promoter group; and</u></p> <p>(iv) <u>The Specific Promoter(s) seeking reclassification along with his promoter group entities and the persons acting in concert shall not have any special right through formal or informal arrangements and all shareholding agreements granting special rights to such outgoing entities shall have been terminated.</u></p> <p>(7) Without prejudice to sub-regulations (5), and (6) <u>and (6A)</u>, re-classification of promoter as public shareholders shall be subject to the following conditions:</p> <p>...</p>
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Annexure C: Proposed Regulation 31A

Reg 31A. Conditions for Reclassification of shareholders

(1) Reclassification / modification of the status of any shareholder shall be permitted by the stock exchanges only upon receipt of a request from the listed entity along with all relevant documents.

(2) Re-classification of status of any promoter as a public shareholder shall be permitted only upon satisfaction of the following conditions:

- (a) The application for reclassification by the listed entity has been made consequent to the following procedures:
 - (i) A specific request for reclassification made to the listed entity by the specific promoter;
Explanation: For the purpose of Regulation 31A, 'specific promoter' shall mean all such promoters seeking reclassification of status as public shareholders.
 - (ii) The Board of Directors of the listed entity shall provide their view (positive/negative) while forwarding the request to be placed before the shareholders for approval;
 - (iii) On recommendation of the Board of Directors, the request shall be placed before the shareholders of the listed entity in a general meeting and approved by an ordinary resolution on which the specific promoter, its promoter group and persons acting in concert have abstained from voting.
- (b) The specific promoter, its promoter group and the Persons Acting in Concert shall:
 - (i) On the date of application for re-classification, hold not more than 10% of the total voting power in the listed entity;
 - (ii) not exercise control over the affairs of the listed entity directly or indirectly;
 - (iii) not have any special rights with respect to the listed entity through formal or informal arrangements including through any shareholder agreements;
 - (iv) not be represented on the Board of Directors (including not having a nominee director) of the listed entity;
 - (v) not act as a key managerial person in the listed entity;
- (c) The promoter seeking reclassification shall **not be a 'wilful defaulter' as per RBI Guidelines as on the date of the shareholder's meeting**
- (d) The listed entity on the date of application for re-classification shall:
 - (i) Be compliant with minimum public shareholding requirement;
 - (ii) Not have its shares suspended from trading by the stock exchanges;
 - (iii) Not have any outstanding dues to the Board or the stock exchanges;

- (3) If any public shareholder seeks to re-classify itself as promoter, it shall be required to make an open offer in accordance with the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- (4) In case of transfer of shares by way of transmission/succession/inheritance/gift:
- (a) Immediately on such transfer, the inheritor shall be classified as promoter.
 - (b) Subsequently, in case the inheritor now classified as a promoter proposes to seek re-classification of status as a public shareholder, it may do so subject to compliance with conditions specified in sub-Regulation (2) above.
 - (c) In case of death of a promoter, such person shall automatically cease to be included as a promoter subsequent to transmission of shares to an inheritor(s).
- (5) The concerned stock exchanges shall jointly decide on the application of the concerned listed entity as specified in sub-regulation (1) subject to compliance with conditions specified in sub-Regulations (2), (3) and (4) above.
- (6) A listed entity shall be considered as *'listed entities with no promoters'* if due to re-classification or otherwise, the entity does not have any promoter;
- (7) The events pertaining to submission of application for re-classification to stock exchanges and decision of the stock exchanges thereof shall be disclosed by the entity to the stock exchanges as a material event in accordance with the provisions of these regulations.
- (8) Board may relax any condition for re-classification in specific cases, if it is satisfied about non-exercise of control by the outgoing promoter or its persons acting in concert.