

**National Stock Exchange Of India Limited**

<b>DEPARTMENT : COMPLIANCE</b>	
Download Ref. No. : NSE/COMP/39726	Date : December 20, 2018
Circular Ref. No. : 70/2018	

To All Members,

**Sub: Revised Dominant Promoter Group Norms**

In continuation to Exchange circular Download Ref. No. NSE/MEM/38837 dated September 07, 2018, please find enclosed herewith the revised Dominant Promoter Norms.

All trading members are required to comply with these norms on a continuous basis.

For and on behalf of  
**National Stock Exchange of India Limited**

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**REVISED DOMINANT PROMOTER GROUP NORMS****I. Definition of Dominant Promoter Group (DPG)**

Any person or persons holding 51% either individually or collectively with the following:

- (i) their/his relatives as defined under Companies Act, 2013, as amended from time to time and/or
- (ii) the person(s) falling within the definition of 'Control' under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time and/or
- (iii) the support of strategic investors in such corporate trading member

will be eligible to constitute Dominant Promoter Group (DPG).

Dominant promoters shall meet the condition of fit and proper person similar to the criteria envisaged in the SEBI (Intermediaries) Regulations, 2008 and being applied to intermediaries seeking registration from SEBI.

**Notes:**

- (i) DPG can comprise of Individuals, Partnership Firms, LLPs, Corporates (Listed and Unlisted) and HUFs. DPG will be identified to the level of Ultimate Promoter unless otherwise stated in these norms.
- (ii) '**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.
- (iii) **Undertaking by persons extending support** - The person(s) who are extending support to the DPGs shall execute an unqualified and irrevocable support in writing to the individual concerned in respect of such holding / interest.
- (iv) Foreign citizens/nationals cannot be identified as dominant promoter.
- (v) An individual/entity against whom any material penal action is taken by any regulator or Government authority during last 3 years cannot be identified as dominant promoter.
- (vi) 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.

**II. Guidelines for identification of Dominant Promoter****A. Where Dominant Promoter is an Indian entity**

Corporate shareholder can be identified as DPG of a trading member who is also a corporate. The corporate shareholder shall have to identify any person or persons as their DPG as per these norms applicable to the corporate trading member. In case the DPG consists of more than one corporate shareholder, the DPG shall be identified separately for each such corporate shareholder.

Identification of Ultimate Promoter will not be required in following cases -

- a) The identified Dominant Promoter is a listed company.
- b) The identified Dominant Promoter has a networth of at least Rs. 50 Crores and has been in existence for at least 3 years in case it is an unlisted company.
- c) Central or State Government owned Financial or Development Institutions can be identified as DPG(s) provided they have a networth of at least Rs.50 Crores.
- d) Scheduled Bank or any Financial Institution registered with or regulated by any regulatory authority such as RBI, SEBI, IRDA, PFRDA or as decided by the Exchange from time to time can be identified as DPG(s) provided they have a networth of at least Rs.50 Crores.

**B. Where Dominant Promoter is a Foreign Entity**

Foreign entities are allowed to become part of the DPG of an existing/new trading member provided they meet the DPG norms. They also need to comply with FIPB norms/RBI norms and any other requirements of the Exchange/SEBI as may be applicable from time to time.

The promoting foreign entities shall hold, directly or indirectly and individually or collectively not less than 51 % of the controlling stake in the applicant company proposing to take the trading membership of the Exchange.

The identified foreign entities have to comply with any of the following norms and identification of Ultimate Promoter will not be required:

- a) The promoting foreign entity or any of its holding company/subsidiary should be either a bank or insurance company regulated by the Central Bank or such other relevant regulatory authority of that respective country and has a networth of at least Rs. 50 Crores.
- b) The promoting foreign entity or any of its holding company/subsidiary should be broking house/participant in the securities market that is registered or regulated by the relevant regulatory authority of that respective country and that the relevant authority should be a member of International Organisation of Securities Commission (IOSCO). The promoting foreign entity should have networth of at least Rs. 50 Crores.
- c) The promoting foreign entity or any of its holding company/subsidiary should be Government owned Finance and/or Development Institution and has a networth of at least Rs. 50 Crores.

- d) The promoting foreign entity or any of its holding company/subsidiary should be Pension fund, Sovereign Wealth Fund, Broad Based Investment Fund which are registered or regulated by relevant regulatory authority of that respective country or specifically exempt from such registration. Pension fund, Sovereign Wealth Fund or broad based investment fund should have minimum of USD 50 million Asset Under Management (AUM). The ultimate fund needs to be a large fund having AUM of at least USD 200 million and the direct investing fund/scheme having AUM of USD 50 million.
- e) The promoting foreign entity is one whose domestic arm or subsidiary is registered with or regulated by any regulatory authority such as RBI, SEBI, IRDA, PFRDA or as decided by the Exchange from time to time and has a networth of at least Rs. 50 Crores.

### **III. Identification of Ultimate Promoter**

Identification of Ultimate Promoter will be as per below table:

<b>Identified DPG (1)</b>		<b>Ultimate Promoter identification required (2)</b>	<b>Identification of Ultimate Promoter till (3)</b>
<b>Indian Entities</b>	Unlisted Corporate	Yes	Person or Persons holding 51%
	Listed Corporate	No	NA
	Unlisted Corporate which has been in existence for at least 3 years*	No	NA
	Central or State Government owned Financial or Development Institution*	No	NA
	Scheduled Bank or any Financial Institution registered with or regulated by any regulatory authority such as RBI, SEBI, IRDA, PFRDA*	No	NA
<b>Foreign Entities</b>	Government owned Financial or Development Institution*	No	NA
	Pension Fund#	No	NA
	Sovereign Wealth Fund#	No	NA
	Broad Based Investment Fund#	No	NA
	Bank/Insurance Company*	No	NA
	Broking House/Participant in the securities market registered or regulated by such authority of respective country having IOSCO membership*	No	NA
	Whose domestic arm or subsidiary is registered with or regulated by any regulatory authority such as RBI, SEBI, IRDA, PFRDA or as decided by the Exchange from time to time*	No	NA

\* Has a networth of at least Rs. 50 Crores.

# Registered or regulated by any regulatory authority of that respective country or specifically exempt from such registration. The ultimate fund needs to be a large fund having AUM of at least USD 200 million and the direct investing fund/scheme having AUM of USD 50 million.

**IV. 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 DPG, it is to be ensured that the DPG 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 DPG by one or more persons within the group provided it is ensured that the remaining DPGs continue to hold the required controlling stake;
- (ii) Inclusion or addition of another shareholder as a part of DPG shall not be treated as change in control so far as the earlier group of DPGs hold the controlling stake, subject to a condition that the approved inclusion continues to be a part of the DPG for a period of at least 3 years;
- (iii) Acquisition of total control by a person or entity, who is a part of DPG 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 DPG less than 51% in the case of unlisted companies;
- (v) Change in the DPG 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 DPG, provided the existing DPG continues to hold the controlling stake.

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

- (i) **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 IV-B hereinabove shall be treated as change in control.
- (ii) **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.

**V. 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 DPG 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.

**VI. 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 DPG/Promoter may be substituted as 'Dominant Partner'.
- (iii) A corporate applicant or a partnership applicant is not required to identify DPG or Dominant Partner, as the case may be while applying for appointment of Authorised Person.