

What's New

News Flash



June 2013

SEBI has notified amendments to the existing share buy-back regulations - Norms set to be tightened

With a view to tighten the norms on share buy-back by listed companies, Securities and Exchange Board of India (SEBI) has notified key amendments on 25 June 2013 to the existing SEBI (Buy-back of Securities) Regulations, 1998. Summarised below are the key takeaways from the revised guidelines for your ready reference:

- The company shall be required to deposit 25% of maximum amount proposed to be utilised for share buy-back into an Escrow account, before the offer is launched;
- The company shall be mandatorily required to purchase at least 50% of the offer size as against existing requirement of 25%. In case of the failure to purchase the minimum prescribed 50% of the offer size, the entire amount in the Escrow account will be forfeited, subject to maximum of 2.5% of the amount earmarked for the share buy-back;
- The company shall mandatorily complete the buy back process within 6 months from the date of the offer as against the existing time period of 12 months;
- The company shall not be allowed to raise further capital for a period of 2 years;
- In case the Company fails to acquire 100% of the buy-back offer size, it shall not be allowed to undertake share buy-back for at least one year irrespective of the mode of approval for buy-back;
- Buy-back of 15% or more of the paid-up capital would only be done through the tender offer method;
- During the buy-back offer, promoters of the company are prohibited from dealing in shares of the company off the market as well, as against the existing restriction of dealing on stock exchanges only; and
- The reporting and disclosures requirement are proposed to be rationalised.

There is no clarity whether the funds to be transferred to the Escrow account would be in addition to the amount earmarked for the buy-back. If this be the case, this will add up to the required liquidity of funds in order to undertake the share buy-back.

If your interest lies in a specific area or subject, do advise us so we can send you only the relevant alerts. For any additional information, please reach out to your PwC relationship manager or write in to [***pwctr.knowledgemanagement@in.pwc.com***](mailto:pwctr.knowledgemanagement@in.pwc.com)

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