



CIRCULAR

Cir/ISD/ 3/2011

June 17, 2011

To,

All Stock Exchanges

Dear Sir / Madam,

Sub: Shareholding of promoter / promoter group to be in dematerialized mode

- 1) SEBI had vide SEBI/Cir/ISD/1/2010 dated September 02, 2010 issued a circular on “trading rules and shareholding in dematerialized mode”. The said circular was issued in order to moderate sharp and destabilizing price movements in shares of companies, to encourage better price discovery and to increase transparency in securities market. The aforesaid circular inter-alia mandated securities of companies to be traded in normal segment, if and only if, the company has achieved atleast 50% non-promoter shareholding in dematerialized form and maintained the same on a continuous basis.
- 2) In order to further promote dematerialization of securities, encourage orderly development of the securities market and to improve transparency in the dealings of shares by promoters including pledge / usage as collateral, SEBI in consultation with Stock Exchanges, has decided that the securities of companies shall be traded in the normal segment of the exchange if and only if, the company has achieved 100% of promoter’s and promoter group’s shareholding in dematerialized form latest by the quarter ended September 2011 as reported to the stock exchanges.
- 3) In all cases, wherein the companies do not satisfy the above criteria, the trading in securities of such companies shall take place in trade for trade segment.
- 4) For the above purpose the exchanges shall take the latest shareholding pattern as required to be submitted by the listed companies with exchanges in pursuance to the Listing agreement as of the preceding quarter or of any subsequent date.
- 5) The Stock Exchanges are advised to:
 - a) put in place the adequate systems and issue the necessary guidelines for implementing the above decision.



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Securities and Exchange Board of India

- b) make necessary amendments to the relevant bye-laws, rules and regulations as applicable for the implementation of the above decision immediately.
 - c) bring the provisions of this circular to the notice of the listed companies/issuers and member brokers of the Exchange and also to disseminate the same on the website.
 - d) communicate to SEBI, the status of the implementation of the provisions of this circular in the Monthly Development Report.
- 6) This circular is issued in exercise of powers conferred by sub-section (1) of Section 11 of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
- 7) This circular is available on SEBI website at www.sebi.gov.in under the head 'legal framework'.

Yours faithfully,

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