SEBI simplifies regulations for reclassifying promoter as public investor

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SEBI simplifies regulations for reclassifying promoter as public investor-Outgoing promoter needs to relinquish special rights, control over listed firm

- The Securities and Exchange Board of India (SEBI) has come out with new rules for re-classification of a promoter as a public investor, wherein an outgoing promoter will have to relinquish special rights as well as control over the affairs of the listed firm and not be allowed to hold over 10% stake.
- Besides, the promoter would not be allowed to have any representation on the board of directors or act as a key managerial person in the listed entity.
- Further, the promoter seeking re-classification must not be a wilful defaulter or a fugitive economic offender.
- These norms will prevent the outgoing promoters from continuing to exercise their control on the company directly or indirectly.
- The norms, aimed at simplifying, streamlining and bringing greater clarity in existing regulations, come after SEBI's board, approved a proposal in this regard.
- In all cases of re-classification of promoters, the proposal needs to be placed by the listed entity before shareholders and approved through ordinary resolution.

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