

August 6, 2019

The Executive Director  
Corporation Finance Department  
Securities and Exchange Board of India  
SEBI Bhavan, Plot No. C4-A, 'G' Block,  
Bandra Kurla Complex, Bandra (East),  
Mumbai-400 051

Dear Sirs,

**Sub: Request for an interpretative letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 in relation to the provisions of the Securities and Exchange Board (Share Based Employee Benefits) Regulations, 2014**

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This is a request for an interpretative letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 (hereinafter referred to as 'the SEBI Scheme').

## **1. Background**

1.1.J. M. Financial and Investment Consultancy Services Private Limited ("JMFICS"), is a company incorporated under the Companies Act, 1956.

1.2.JMFICS is one of the promoters of JM Financial Limited (hereinafter referred to as "JMFL" or "the Company"), a company incorporated under the Companies Act, 1956, and having its equity shares listed on BSE Limited and National Stock Exchange of India Limited.

1.3.JMFICS holds 21,62,84,100 (Twenty one crore sixty two lakh eighty four thousand and one hundred) equity shares representing 25.72% of the total paid up equity share capital of JMFL as on July 31, 2019. JMFICS has about 11 permanent employees, some of whom are working for it since last more than two decades. The management of JMFICS wishes to reward its permanent employees including the employees, if any, recruited in future by giving them the equity shares of JMFL either by way of stock options or under any other permissible modes including acquisition of shares from the open market. As per the applicable SEBI Regulations, the stock options of JMFL cannot be given to the employees of JMFICS since it is not a holding company of JMFL, although the promoters and promoters' group together holds 62.04% of the total paid up equity share capital of the Company, as on July 31, 2019. Details of



**JM Financial Limited**

Corporate Identity Number : L67120MH1986PLC038784

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promoters/promoters' group shareholding in the Company is provided in the **Annexure** hereto.

1.4. Further, JM Financial Foundation (JMFF) is a philanthropic arm of JM Financial Group undertaking CSR activities and other charity work. It is a trust established and registered under the Bombay Public Trust, 1950. The said trust was created for social and charitable purposes. JMFF has few employees working exclusively to undertake CSR activities for the JM Financial Group.

1.5. The Trustees of JMFF also wishes to reward its employees including the employees, if any, recruited in future by giving them the equity shares of the Company either by way of stock options or under any other permissible modes including acquisition of shares from the open market. As per the applicable SEBI Regulations, the stock options of JMFL cannot be given to the employees of JMFF since it is a Trust and neither a subsidiary nor a holding company of the Company.

## **2. Legal Framework**

### **Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SBEB Regulations")**

#### **I. Applicability**

The provisions of these regulations shall apply to any company whose shares are listed on a recognised stock exchange in India, and has a scheme:

- (i) for direct or indirect benefit of employees; and
- (ii) involving dealing in or subscribing to or purchasing securities of the company, directly or indirectly; and
- (iii) satisfying, directly or indirectly, any one of the following conditions:
  - a) the scheme is set up by the company or any other company in its group;
  - b) the scheme is funded or guaranteed by the company or any other company in its group; and
  - c) the scheme is controlled or managed by the company or any other company in its group.

#### **II. Definition of Employee**

Clause (f) of sub-regulation (1) of Regulation 2 states that



“employee means, -

- (i) a permanent employee of the company who has been working in India or outside India; or
- (ii) a director of the company, whether a whole time director or not but excluding an independent director; or
- (iii) an employee as defined in clause (i) or (ii) of a subsidiary, in India or outside India, or of a holding company of the company but does not include—
  - (a) an employee who is a promoter or a person belonging to the promoter group; or
  - (b) a director who either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten per cent of the outstanding equity shares of the company.”

### 3. *Facts*

JMFL has framed Employee Stock Option Scheme (hereinafter referred to as “the Scheme”) in accordance with the applicable SEBI Regulations. The Scheme is applicable to all the permanent employees and the directors (other than independent directors and the promoters or persons belonging to the promoters’ group) of JMFL and its subsidiary companies.

As mentioned in the earlier paragraphs, JMFICS and JMFF wishes to reward their employees by giving them the stock options/shares of JMFL. For this purpose, it is intended by JMFICS and JMFF to consider the following options:

- (i) Request JMFL to grant stock options to the employees of JMFICS and JMFF if SEBI permits them to grant since the employees are belonging to the JM Financial Group. The costs, if any, associated with the grant/exercise of options by the concerned employees will be borne by JMFICS and JMFF for their respective employees; (*First Alternative*)

OR

- (ii) Request the Trust<sup>1</sup> to acquire the equity shares of JMFL from the open market through the secondary route which will be kept, after acquisition, in a separate demat account earmarked for the identified employees of JMFICS and JMFF. The entire consideration including applicable levies, taxes, etc., for acquiring the shares shall be paid upfront by JMFICS and JMFF to the Trust in respect of their employees. (*Second Alternative*)

<sup>1</sup> JM Financial Group Employees’ Welfare Trust (Trust) is established for the benefit of the employees of JMFL and its group companies.



JMFICS and JMFF will ask the Trust to release the acquired shares in favour of the identified employees over a period of time, as may be decided by the Board of Directors or any of the committees of JMFICS and the Board of Trustees of JMFF from the date of the acquisition of such shares in accordance with the agreed terms by JMFICS and JMFF with their identified employees. The Board of Directors of JMFICS and the Board of Trustees of JMFF shall respectively decide the price and the manner in which such acquired shares will be given to their employees (*Second Alternative*).

It may be noted that the stock options/shares of JMFL as proposed to be given to the employees of JMFICS and JMFF as above shall not include any of the promoters/promoters' group person.

#### **4. Request for an interpretive letter**

As specified above, the SBEB Regulations are applicable to **any company whose shares are listed on a recognised stock exchange in India, and has a scheme:**

- (i) for direct or indirect benefit of employees; and
- (ii) involving dealing in or subscribing to or purchasing securities of the company, directly or indirectly; and
- (iii) satisfying, directly or indirectly, any one of the following conditions:
  - a) the scheme is set up by the company or any other company in its group;
  - b) the scheme is funded or guaranteed by the company or any other company in its group;
  - c) the scheme is controlled or managed by the company or any other company in its group.

Unless approved/exempted by SEBI, the above employee benefit is neither proposed under any Scheme of JMFL nor being funded by JMFL. Furthermore, the SBEB Regulations are applicable to the permanent employees of JMFL and/or its holding/subsidiary company(ies). In the aforementioned employee benefit mechanism (Second Alternative), the benefit is proposed for the permanent employees including the employees recruited in future of JMFICS and JMFF and thus not covered in the definition of "employee" as per SEBI SBEB Regulations.

In view of the above facts and the applicable legal provisions, the Company believes that the SBEB Regulations will not apply to the proposed acquisition



of shares of JMFL (Second Alternative) for and on behalf of the employees including the employees recruited in future, of JMFICS and JMFF.

JMFL hereby requests as per Para 4 of the SEBI Scheme, an interpretive letter for your informal guidance on the above query(ies).

## **5. Fees**

As per the requirements prescribed under the SEBI Scheme, we are enclosing the demand draft no. 794818 for Rs. 25,000/- dated July 24, 2019 drawn in favour of Securities and Exchange Board of India on HDFC Bank Ltd., towards the fees for seeking an interpretive letter.

As per the provisions of Para 11 of the SEBI Scheme, we also request you to give confidential treatment to our application for a period of 90 days from the date of SEBI's response.

We request you to contact Mr. Prashant Choksi, Group Head- Compliance, Legal & Company Secretary or Mr. Manish Sheth, Group Chief Financial Officer of JM Financial Limited at [prashant.choksi@jmfl.com](mailto:prashant.choksi@jmfl.com)/022 66303235 or [manish.sheth@jmfl.com](mailto:manish.sheth@jmfl.com)/022 66303460, respectively in case of any queries or clarifications with respect to this application. In case you require any further information/documents/details in this regard, we shall provide the same to you at the earliest.

Thank you.

Yours faithfully,  
For JM Financial Limited



 **P K Choksi**  
Group Head – Compliance, Legal  
& Company Secretary

Encl.: as above

**Annexure**

**Shareholding of Promoters and Promoters' Group of JM Financial Limited**  
**as on July 31, 2019**

**A. Promoters**

Sr. no.	Name of shareholders	No. of Shares	Percentage of total shares (in %)
1.	Nimesh N Kampani	12,45,00,000	14.81
2.	J. M. Financial and Investment Consultancy Services Private Limited	21,62,84,100	25.72
<b>Total (A)</b>		<b>34,07,84,100</b>	<b>40.53</b>

**B. Promoters' Group**

Sr. No.	Name of shareholders	No. of Shares	Percentage of total shares (in %)
1.	Nimesh Kampani HUF	12,50,000	0.15
2.	Aruna Nimesh Kampani	3,54,51,250	4.22
3.	Amishi Akash Gambhir	80,00,000	0.95
4.	Vishal Nimesh Kampani	1,14,25,000	1.36
5.	JM Financial Trustee Company Private Limited	11,30,000	0.13
6.	J M Assets Management Private Limited	10,30,42,908	12.25
7.	JSB Securities Limited	65,05,000	0.77
8.	SNK Investments Private Limited	1,17,60,000	1.40
9.	Persepolis Investment Company Private Limited	16,50,000	0.20
10.	Kampani Consultants Limited	6,85,000	0.08
<b>Total (B)</b>		<b>18,08,99,158</b>	<b>21.51</b>
<b>Total Promoters/Promoters' Group shareholding [(A)+(B)]</b>		<b>52,16,83,258</b>	<b>62.04</b>


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