



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

General Manager
Corporation Finance Department
Division of Corporate Restructuring
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SEBI/HO/CFD/DCR2/OW/P/2019/026315/1
Oct. 4, 2019

JM Financial Ltd.
7th Floor, Cnergy,
Appasaheb Marathe Marg
Prabhadevi,
Mumbai-400025

Kind attention: Mr. PK Choksi- Group Head- Compliance, Legal & Company Secretary

Dear Sir,

Sub: Request for an interpretive letter under SEBI (Informal Guidance) Scheme, 2003 in relation to the provisions of SEBI (Share Based Employee Benefits) Regulations, 2014 (SBEB Regulations)

1. This has reference to your letter dated Aug 6, 2019 on the captioned subject.
2. You have, *inter alia*, represented as under:-
 - i. JM Financial & Investment Consultancy Services Pvt. Ltd. (JMFICS) is a company registered under Companies Act, 1956 and is one of the promoters of JM Financial Ltd.(JMFL)
 - ii. JMFICS holds 21,62,84,100 equity shares representing 25.72% of equity share capital of JMFL as on July 31, 2019. The promoter and promoters' group shareholding in JMFL is 62.04% as on July 31, 2019.
 - iii. JMFICS has 11 permanent employees and the management of JMFICS wishes to reward its current and future employees by giving them equity shares of JMFL either by way of stock options or under any other permissible modes including acquisition from the open market.
 - iv. Further, JM Financial Foundation (JMFF) is a philanthropic arm of JM Financial Group undertaking CSR activities and other charity work. It is a registered trust and has few employees working exclusively to undertake CSR activities for the JM Financial Group.

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- v. The Trustees of JMFF also wishes to reward its employees including any future employees by giving them equity shares of JMFL either by way of stock options or under any other permissible modes including acquisition from the open market.
- vi. Both JMFICS and JMFF cannot give stock options to their respective employees as they are neither a subsidiary nor a holding company of JMFL.
- vii. JMFL has framed Employee Stock Option Scheme (Scheme) in accordance with the applicable SEBI Regulations. This scheme is applicable to all permanent employees and directors (other than independent directors and promoters/promoter group) of JMFL and its subsidiary companies.
- viii. JMFICS & JMFF intends to consider the following two options in order to reward its employees:
- a) Request JMFL to grant stock options to the employees of JMFICS and JMF 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)**
- b) Request JM Financial Group Employees Welfare Trust (Trust) to acquire equity shares of JMFL from the open market which will be kept in a separate demat account earmarked to 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.
- JMFICS & JMFF will ask the Trust to release the acquired shares in favor of the identified employees over a period of time in accordance with the agreed terms by JMFICS and JMFF with their identified employees. The Board of Directors of JMFICS and Board of Trustee of JMFF shall decide the price and the manner in which such acquired shares shall be given to their employees. **(Second Alternative)**
- Further, such stock options/shares of JMFL as proposed to be given to the employees of JMFICS and JMFF shall not include any of the promoters/promoters' group person.

3. In view of the above, you have sought guidance from SEBI by way of an interpretive letter on the following:

Unless approved/exempted by SEBI, the above employee benefit is neither proposed under any scheme of JMFL nor being funded by JMFL. Furthermore, SBEB Regulations are applicable to the permanent employees of JMFL and its subsidiaries/holding company (ies).



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In the Second Alternative, the benefit is proposed for the permanent employees including future employees of JMFICS and JMFF and thus not covered in the definition of employees as per SBEB Regulations.

In view of the same, the Company believes that SBEB Regulations will not apply to the proposed acquisition of shares of JMFL for and on behalf of the employees including the employees recruited in future, of JMFICS & JMFF.

4. We have considered the submissions made by you and without necessarily agreeing with your analysis, our views on the queries are as under:
- i. Regulation 1(4) of the SBEB Regulations specifies the applicability conditions which is reproduced below for ease of reference:

"1(4) 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;*
 - c. the scheme is controlled or managed by the company or any other company in its group."*

- ii. Regulation 2(1)(f) of SBEB Regulations 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—*




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(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;]

- iii. Since JMFICS & JMFF are neither subsidiary nor holding companies of JMFL, employees of JMFICS & JMFF would not be covered under Regulation 2(1)(f) of SBEB Regulations.
- iv. In case of the Second Alternative, the Trust acquires equity shares from the open market through the secondary route. Such market acquisition by the Trust that is established for the benefit of the employees of JMFL & its group companies would be covered under the ambit of SBEB Regulations and the provisions of SBEB Regulations, wherever applicable, would be required to be complied with.
5. Further, your request for confidentiality for a period of 90 days has been acceded to.
6. The above position is based on the information furnished in your letter under reference. Different facts or conditions might lead to a different result. Further, this letter does not express a decision of the Board on the questions referred.
7. You may also note that the above views are expressed only with respect to the clarification sought in your letter under reference with respect to SBEB Regulations and do not affect the applicability of any other law or requirements of any other SEBI Regulations, Guidelines and Circulars administered by SEBI or of the laws administered by any other authority.

Yours faithfully,


Rajesh Gujjar