

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1615
ANSWERED ON:23.03.2012
AMENDMENT OF TAKE OVER CODE
Rathod Shri Ramesh

Will the Minister of FINANCE be pleased to state:

- (a) whether many Industrial Associations have expressed reservations over the recent amendment to Take Over Code by Securities and Exchange Board of India (SEBI) in relation to disclosure of encumbered shares and if so, the details thereof and reaction of SEBI thereto;
- (b) whether the said modifications have been carried out by SEBI without wide ranging discussions with Industrial Bodies and Associations including SEBI Board and if so, the reasons therefor; and
- (c) the action being taken by the Government/SEBI to ensure greater transparency while enacting such laws? .

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRINAMONARAINMEENA)

- a) The Ministry of Finance had received a representation from the All India Association of Industries (AII), regarding the disclosure of encumbered shares by promoters of listed companies addressed to several officials of the Ministry. This representation was referred to the Securities and Exchange Board of India (SEBI). SEBI has stated that the amendment, included in the Substantial Acquisition of Shares and Takeover Regulation, 2011 (SAST Regulation 2011), was made after following the due consultative process.
- b) SEBI had constituted the Takeover Regulations Advisory Committee (TRAC) to examine and review the Takeover Regulation of 1997 and to suggest suitable amendments therein. The Committee submitted its report to SEBI on July 19, 2010. Wide ranging discussions were held by SEBI before carrying out the modifications and the following was inter-alia done in the process. The report was uploaded on the SEBI website for public comments. The report was also sent to other stakeholders such as major industry associations including FICCI, CII ASSOCHAM and other regulators for comments. The public comments received were examined by SEBI in the light of the TRAC Report. The recommendations in the TRAC report along with the feedback received were placed before the SEBI Board on July 28, 2011 for its consideration. The Board after considering all the relevant inputs placed before it approved the new Takeover code giving due weightage to the recommendations of TRAC and the comments received thereon. Thereafter, SEBI notified the new SAST Regulation 2011 on September 23, 2011 and new regulations came into effect on October 22, 2011.
- c) As a general practice, SEBI formulates Rules/Regulations through a consultative process that usually includes discussions with various stake holders like representative bodies. Public comments on the draft Rules/Regulations etc. are also normally invited before submitting proposals to the Board of SEBI for its decision. Through this process, SEBI is able to promote transparency in decision making.