

GRC BULLETIN

JANUARY - 2025, VOLUME: II

SEBI

Circular regarding Prior approval for change in control: Transfer of shareholdings among immediate relatives and transmission of shareholdings and their effect on change in control

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CORPORATE LAWS

Authority

Securities and Exchange Board of India

Circular Date

Dec 27, 2024

Circular Number

SEBI/HO/MIRSD/
MIRSD -PoD-
1/P/CIR/2024/164

Effective Date

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SEBI - CIRCULAR REGARDING PRIOR APPROVAL FOR CHANGE IN CONTROL: TRANSFER OF SHAREHOLDINGS AMONG IMMEDIATE RELATIVES & TRANSMISSION OF SHAREHOLDINGS AND THEIR EFFECT ON CHANGE IN CONTROL

Applicability:

The circular is applicable to the following entities, Investment Advisers (IAs), Research Analysts (RAs) and KYC Registration Agencies (KRAs)

On December 27, 2024, the Securities and Exchange Board of India (SEBI) issued a crucial circular aimed at clarifying the regulatory framework surrounding changes in control for certain registered intermediaries. This move addresses ambiguities in the rules for transfer and transmission of shareholding, particularly for Investment Advisers (IAs), Research Analysts (RAs), and KYC Registration Agencies (KRAs).

Unlisted Corporates: Transfer/Transmission Rules

- No change in control if shares are:
- Transferred among immediate relatives, as per SEBI (SAST) Regulations, 2011.
- Transmitted, whether to immediate relatives or others.

Proprietary Firms: Change in Ownership

- Any transfer or bequeathing of ownership is treated as a change in control.
- Legal heirs or transferees must:
- Obtain prior SEBI approval.
- Secure fresh registration in their name.

Partnership Firms: Ownership Changes

Transfer of ownership among partners:

- Permitted if the firm has more than two partners.
- Not permitted if new partners are introduced (considered a change in control).

Transmission to legal heirs:

If allowed in the partnership deed, it does not constitute a change in control.

Fit and Proper Criteria for Incoming Entities

Any incoming shareholder or entity gaining a controlling interest via

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transfer or transmission must meet the fit and proper person criteria under Schedule II of SEBI (Intermediaries) Regulations, 2008.

Supervisory Responsibilities

The IAASB and RAASB are directed to:

- Notify IAs and RAs of the updated provisions.
- Update their Bye-laws, Standard Operating Procedures (SOPs), and other regulations.

SOURCE: [Click Here for more details](#)



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