

## **REGULATORY FRAMEWORK**

### **SEBI's proposal on buy back through open market purchase**

SEBI has issued a discussion paper on 'Proposed modifications to the existing framework for buy back through open market purchase'. The key recommendations for buy back are as follows:

- (a) To mandate 50% as minimum buy back quantity;
- (b) Companies to complete the buy back in 3 months;
- (c) To ensure that only serious companies launch the buyback program, it is mandatory for the companies to put 25% of the maximum amount proposed for buy back in an escrow account;
- (d) Listed companies coming out with buyback programs may not be allowed to raise further capital for a period of two years;
- (e) To ensure that the companies do not launch buyback programs for stabilizing the share price, companies who are not able to buy back 100% of the proposed amount (or the proposed maximum number of shares) may not be allowed to come with another buyback for a period of atleast one year irrespective of the mode of approval for buy back;
- (f) More detailed disclosures as compared to the existing one;
- (g) Buy-back of 15% or more of (paid up capital + free reserves) must be only by way of a tender offer method;
- (h) The companies shall extinguish/destroy shares bought back during the month, on or before fifteenth day of the succeeding month subject to the companies destroying the bought back shares in the last month within seven days of the completion of the offer;

(Source: SEBI Press Release '*SEBI issues a Discussion Paper on modification to the existing framework for buy back through open market purchase*' dated January 02, 2013)

### **SEBI plans to revise the Insider Trading Regulations**

Securities Exchange Board of India ("SEBI") plans to revise the extant insider trading and front-running regulations in order to synchronize them with the Companies Bill, 2012, which is expected to be passed shortly. The proposed changes include barring forward dealings in securities by a director of a company or key managers such as the CEO, MD, Chief financial officer or full-time directors.

(Source: Economic Times dated January 02, 2013)