

Reclassification of promoters by SEBI

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In news- SEBI has proposed doing away with the classification of 'promoter' concept.

More information-

- SEBI has proposed the shifting of the concept of **'promoter' to 'person in control'** and scrapping the 'promoter group'.
- Sebi's ICDR Regulations define a **"promoter"** as a **person who has been named as such in the offer document or in the annual return of the issuer or a person who has control over the issuer (directly or indirectly) or in whose advice, directions or instructions the board of directors of the issuer is accustomed to act.**
- The definition of the **'promoter group'** focuses on **capturing holdings by a common group of individuals or persons and often results in capturing unrelated companies with common financial investors.**
- Any body corporate in which a group of individuals or companies or combinations thereof acting in concert, which hold **20% or more of the equity share capital in that body corporate** is the promoter group.
- **Companies Act, 2013** has incorporated a definition of promoter in Section 2 (69) but it **does not define a promoter group.**
- The definition for promoter group has been provided in Regulation 2(pp) of the ICDR 2018 of the SEBI.
- SEBI is moving towards the new system because the investor focus on the quality of board and management has increased, thereby reducing the relevance of the concept of promoter.
- A **three-year transition period** for moving from the

promoter to person in control concept has been suggested.