



CIRCULAR

SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/6

January 23, 2024

To

All Recognized Stock Exchanges

All Recognized Clearing Corporations

All Depositories

Sir/Madam,

Subject: Framework for Offer for Sale (OFS) of Shares to Employees through Stock Exchange Mechanism

1. SEBI vide Master Circular No. SEBI/HO/MRD2/PoD-2/CIR/P/2023/171 dated October 16, 2023 at paragraph 19 of Chapter 1 has specified the comprehensive framework on Offer for Sale (OFS) of shares through stock exchange mechanism. Under the said framework, the relevant provisions regarding offering of shares to employees by the promoters of the company have been prescribed as under:

“19.1.2.2.4. Promoters of eligible companies shall be permitted to sell shares within a period of 2 (two) weeks from the OFS transaction to the employees of such companies. The offer to employee shall be considered as a part of the said OFS transaction.

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19.1.5.3.2. The promoters may at their discretion offer these shares to employees at the price discovered in the said OFS transaction or at a discount to the price discovered in the said OFS transaction.



19.1.5.3.3. Promoters shall make necessary disclosures in the OFS notice to the exchange including number of shares offered to employees and discount offered, if any.”

2. The existing procedure of OFS to employees of the eligible company is happening outside the stock exchange mechanism. Based on the feedback received from stakeholders, it is observed that the said procedure is time consuming, involves additional costs and multiple activities.
3. In order to enhance efficiency, ease of compliance and reduce cost, based on deliberations in the Secondary Market Advisory Committee of SEBI and discussions with stock exchanges and clearing corporations, it has been decided that the promoters can also offer the shares to employees in OFS through the Stock Exchange Mechanism.
4. The procedure for OFS to employees through the Stock Exchange Mechanism is an additional option to the existing procedure of OFS to employees outside the exchange mechanism.
5. The procedure for offering shares to the employees in OFS through stock exchanges is as under:
 - i. OFS to employees shall be on T+1 day along with the retail category under a new category called as "Employee".
 - ii. While bidding, the employee shall select "Employee" category for employee bids. However, the employees can also bid for other categories, as per the applicable limits.



- iii. For employee OFS, certain number of shares shall be reserved for the employees. The same shall be mentioned in the OFS notice to the stock exchanges by the promoter(s).
- iv. Bidding shall be allowed during trading hours on T+1 day only.
- v. Floor price of the retail category shall be disclosed to the participants under the "Employee" category.
- vi. Employees shall place bids only at cut-off price of T+1 day. The allotment price shall be based on the Cut-off of the retail category, subject to discount, if any.
- vii. The maximum bid amount shall be INR 5,00,000.
- viii. Each employee is eligible for allotment of equity shares up to INR 2,00,000. Provided that in the event of under-subscription in the employee portion, the unsubscribed portion may be allotted to such employees whose bid amount is more than INR 2,00,000, on a proportionate basis, for a value in excess of INR 2,00,000, subject to the total allotment to an employee not exceeding INR 5,00,000.
- ix. The employees shall pay upfront the margin to the extent of 100% of the order value in cash or cash equivalents.
- x. Bids for "Employee" category shall not be displayed on the stock exchange website.
- xi. The bid book of "Employee" Category shall be segregated from Retail Category book for allotment.
- xii. Allotment under the "Employee" category shall be based on the PAN details of employees shared by the company on T-1 day. The PAN mis-matched bids shall be rejected.
- xiii. The promoters shall transfer the total shares of OFS on T-1 day including shares reserved for "Employee" category, to the designated clearing corporation.



6. The provisions of this circular shall come into effect from **30th day** of issuance of this circular.
7. All recognized stock exchanges and clearing corporations are advised to:
 - i. take necessary steps and put in place necessary systems for implementation of the above.
 - ii. make necessary amendments to the relevant bye-laws, rules and regulations, wherever required, for the implementation of the above; and
 - iii. bring the provisions of this circular to the notice of the market participants (including investors) and disseminate the same on their website.
8. This circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act 1992 read with Regulation 51 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
9. This circular is available on SEBI website at www.sebi.gov.in at “Legal Framework - Circulars.”

Yours faithfully,

Hruda Ranjan Sahoo

Deputy General Manager

Tel no.: 022-26449586

Email: hrsahoo@sebi.gov.in