

Sebi Seeks Disclosures On Promoters' In-Laws

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MUMBAI: Sebi's recent clarification that listed companies should disclose information about the relatives of the promoter including the spouse's parents, the married children's spouses, and their parents, as well as entities where these relatives hold over 20% in their shareholding filings, even if they do not own any shares in them, has sparked a debate within India Inc, with securities market lawyers calling it "absurd", "impractical", and "stretching logic".

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While the promoter group definition already in their parents, it is their disclosure requirement



's parents, married children's spouses, and under focus, especially after Sebi explained this

in its April FAQs.

For example, if a founder's daughter is classified as a promoter, then the listed company must now disclose her husband (the son-in-law), the son-in-law's parents and every entity in which the father-in-law owns over 20%, even if none of them have any shareholding, control or influence, in the listed company.

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TANGLED POLICY?

➤ Sebi mandates disclosure of information about founder's relatives like spouse's parents, married children's spouses, and their parents, in shareholding filings

➤ For example, if a founder's daughter is classified as a promoter, then the listed company must now disclose her husband (the son-in-law), the son-in-law's parents and every entity in which

the father-in-law owns over 20%, even if none of them have any shareholding, control or influence, in the listed company

➤ The clarification has sparked debates within India Inc as cos will now have to collect and publicly disclose highly personal and sensitive information about unrelated individuals

➤ Sebi's rationale is to boost transparency and accountability



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"The sweep of the definition of promoter group may have had its own intent, but it cannot be stretched to include relatives where there is no evidence of commonality. Sadly enough, Sebi rules require a listed company to list out the names of all such relatives' entities, no matter whether there is a shareholding overlap or not. And all these entities will be identified as related parties too," wrote Vinod Kothari of Vinod Kothari Consultants, in the firm's blog.

Katalyst Advisors' partner Binoy Parikh said: "Companies will now have to collect and publicly disclose highly personal and sensitive information about unrelated individuals — purely because they are related by marriage. This could include private family businesses of in-laws who may have nothing to do with the listed company." In cases "where siblings run their own companies with no cross shareholdings, especially in cases of family settlements, then they would need to disclose each other's entities."



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Sebi's clarification is to enhance transparency and accountability in corporate governance. However, this would lead to increased compliance burdens and potential controversies.



"Many may argue that this is an unnecessary addition by Sebi, but the regulator has not attached any obligation to the people or entities whose names are getting added in such disclosures," said Aendri Legal's partner Ashish Pyasi, adding that "As a regulator, due to this entire disclosure, it becomes easier to determine the entire chain of people or entities who are related to the promoter group which will be helpful in the event of any issue."



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