

FREQUENTLY ASKED QUESTIONS

ON

SEBI (SHARE BASED EMPLOYEE BENEFITS) REGULATIONS, 2014

1. In terms of proviso to regulation 3(12) of the SEBI (Share Based Employee Benefits) Regulations, 2014, the un-appropriated inventory of shares which is not backed by grants but has been acquired through secondary acquisition by the trust has to be sold on the recognized stock exchange within a period of five years from the date of notification of these regulations. For the purpose of classifying the inventory as un-appropriated, whether the appropriation made to the scheme can be considered as compliance?

Appropriation towards ESPS/ESOP/SAR/General Employee Benefits Scheme/ Retirement Benefit Schemes by October 27, 2015 would be considered as compliance with proviso to regulation 3(12). The company may appropriate towards individual employees or sell in the market during next four years so that no un-appropriated inventory remains thereafter.

2. In terms of the provisions of the SEBI (Share Based Employee Benefits) Regulations, 2014 and the Companies Act, 2013, independent directors are not entitled to ESOPs. However, prior to commencement of these provisions, independent directors were eligible to receive ESOPs. In light of this, if an independent director has been granted ESOPs before commencement of the said provisions and such options remain to be exercised, can he/she still exercise such ESOPs?¹

Yes. The restriction on grant of ESOPs to independent directors applies only on fresh grants of ESOPs after commencement of the aforesaid provisions. Any grant already made prior to commencement of these provisions shall remain valid i.e. an independent director can exercise such ESOPs, subject to fulfilment of terms and conditions of the ESOP schemes framed by the companies in terms of the relevant regulations.

¹ Inserted on November 20, 2015