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SEBI/CFD/DIL/CG/2/2008/23/10

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The Managing Director/Executive Director/Administrator of all the Stock Exchanges

Dear Sir/Madam,

Sub: Corporate Governance in listed Companies – Clause 49 of the Listing Agreement

I. SEBI vide circular SEBI/CFD/DIL/CG/1/2008/08/04 dated April 08, 2008 amended Clause 49 of the Equity Listing Agreement inter-alia including a provision stating that if the non-executive Chairman is a promoter or is related to promoters or persons occupying management positions at the board level or at one level below the board, at least one-half of the board of the company should consist of independent directors.

SEBI had received queries requesting to bring about further clarity on the said amendment where the promoter of a listed company is a listed or unlisted entity. After examining the same, it has been decided to include the following explanation to the existing Clause 49.

In Item I, Para (A), in sub-clause (ii), after the proviso, the following Explanation shall be inserted, namely -:

“Explanation-For the purpose of the expression “related to any promoter” referred to in sub-clause (ii):

- a. If the promoter is a listed entity, its directors other than the independent directors, its employees or its nominees shall be deemed to be related to it;*
- b. If the promoter is an unlisted entity, its directors, its employees or its nominees shall be deemed to be related to it.”*

II. Applicability:

The aforesaid amendments in Clause 49 of Equity Listing Agreement shall be implemented as per the schedule of implementation given below:

- (a)*For entities seeking listing for the first time, at the time of seeking in-principle approval for such listing;
- (b)* For existing listed entities which are required to comply with clause 49, before March 31, 2009.

III. Advice to Stock Exchanges:

1. All Stock Exchanges are advised to:

- a. Give effect to the abovementioned policies and appropriately amend Clause 49 of Equity Listing Agreement in line with the text of the amendments specified above.
- b. Make consequential changes, if any, in other clauses of Equity Listing Agreement.

2. All Stock Exchanges are further advised to communicate to SEBI, status of

implementation of the requirements of this circular in their quarterly report for the quarter ended March 31, 2009.

III. This circular is issued in exercise of powers conferred by sub-section (1) of Section 11, read with sub-section (2) of Section 11A, of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

IV. This circular is available on the SEBI website at <http://www.sebi.gov.in/>.

Yours faithfully,

Parag Basu