



General Manager
Corporation Finance Department
Division of Corporate Restructuring
Email: rajeshg@sebi.gov.in

SEBI/HO/CFD/DCR1/OW/P/2020/0011948/1
July 20, 2020

Way to Wealth Brokers Pvt Ltd.
Frontline Grandeur,
Ground Floor, No. 14,
Walton Road,
Bengaluru-560001

Kind attention: Mr. Raghavendra T K

Dear Sir,

Sub: Request for an interpretive letter under SEBI (Informal Guidance) Scheme, 2003-
Interpretation of Sec 9 (1) (2) of SEBI (Share Based Employee Benefits) Regulations, 2014
(SBEB Regulations) by Way to Wealth Brokers Pvt. Ltd.

1. This has reference to your letter dated June 11, 2020 and emails sent by you on June 15, 2020 and June 23, 2020 on the captioned subject.
2. Vide the aforesaid letter and e-mails, you have, *inter alia*, represented as under:-
 - i. Way to Wealth Brokers Pvt. Ltd. (the applicant) is an Intermediary registered with SEBI as a Stock Broker with SEBI Registration number INZ000178638.
 - ii. The applicant seeks clarification of SEBI under the Informal Guidance Scheme on the interpretation of Regulation 9(2) of SEBI (Share Based Employee Benefits) Regulations, 2014 (SBEB Regulations).
 - iii. A Listed company based at Bangalore has approached the applicant, as a registered Stock Broker for Cashless funding of RSUs being offered to their employees as a part of Employee compensation plan. The current Market price per share is around Rs. 650/- and face value per share is Rs. 5/-. The RSUs are being issued at face value to the eligible employees and as per the approved scheme the employee is required to pay the issue price plus the applicable Perquisite Tax (approx. @ 36% of fair value) for the eligible exercise quantity of RSU (Funding Amount).

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- iv. The DP and Trading account would be opened by eligible employees with the applicant and Employee would also open Bank account with the Empanelled banker for Banking operations.
- v. On receipt of duly signed exercise letter and undertaking for credit of allotted RSU shares to the applicant's DP account by Employee, who proposes to avail Cashless funding, the funding amount as mentioned above would be credited by the applicant to Employee bank account and then onward transfer to Company's designated Bank account to process allotment of RSU shares.
- vi. Company would credit the allotted RSU shares directly to the DP account of employee held with the applicant.. This allotment process is expected be completed within 15 working days from the date of funding by the applicant.
- vii. Within 2 working days of credit of shares to the DP account of employee held with the applicant, the RSU shares to the extent of Cashless funding plus transaction charges would be sold and sale proceeds would be adjusted towards cashless funding made by the applicant.
- viii. The entire process would be completed within 30 calendar days.
- ix. There are some eligible employees of the Company working overseas and are NRIs"

3. In view of the above, you have sought guidance from SEBI by way of an interpretive letter on the following:

- i. *"Whether we as a registered stock Broker under SEBI Stock Broker Regulations, 1992 are permitted to fund the securities to be issued under the Securities Exchange Board of India (Share Based Employee Benefits) Regulations 2014 (viz. Employee Stock Option and/or Restricted Stock Units) by a Listed Company, to its Employees who propose to avail Cashless option*
- ii. *In case such funding is permitted, then we would also request your good selves to advise us on the maximum amount per unit/security that can be funded."*

4. We have considered the submissions made by you and without necessarily agreeing with your analysis, our views on the queries are as under:

- i. Regulation 9(2) of the SBEB Regulations states as under:




"No person other than the employee to whom the option, SAR or other benefit is granted shall be entitled to the benefit arising out of such option, SAR, benefit etc. :

Provided that in case of ESOS or SAR, under cashless exercise, the company may itself fund or permit the empanelled stock brokers to fund the payment of exercise price which shall be adjusted against the sale proceeds of some or all the shares, subject to the provisions of the applicable law or regulations."

- ii. Thus, as per the aforesaid Regulation, the company may permit the empaneled stock brokers to fund the payment of exercise price which shall be adjusted against the sale proceeds of some or all the shares, subject to the provisions of the applicable law or regulations. Thus, if the company permits, you may fund the payment of exercise price which shall be adjusted against the sale proceeds of some or all the shares, subject to the provisions of the applicable law or regulations.
 - iii. Further, the extant SBEB Regulations do not prescribe for any maximum limit on amount per unit/security that can be funded.
5. The above position is based on the information furnished in your letter under reference. Different facts or conditions might lead to a different result. Further, this letter does not express a decision of the Board on the questions referred.
6. You may also note that the above views are expressed only with respect to the clarification sought in your letter under reference with respect to SBEB Regulations and do not affect the applicability of any other law or requirements of any other SEBI Regulations, Guidelines and Circulars administered by SEBI or of the laws administered by any other authority.

Yours faithfully,


Rajesh Gujjar