

SEBI notification – Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) (Amendment) Regulations, 2025 – 8th September, 2025

SEBI vide its notification dated 8th September, 2025 has amended Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (“SEBI SBEBSE Regulations, 2021”). These amendments shall be called the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) (Amendment) Regulations, 2025.

They shall come into force on the date of their publication in the Official Gazette (8th September 2025).

After the existing regulation 9, the following new regulation shall be inserted, namely,-

“9A. Employee identified as promoter or part of the promoter group in the draft offer document.

An employee who is identified as a “promoter” or part of the “promoter group” in the draft offer document filed by a company with the Board in relation to an initial public offering, and who was granted options, SAR or any other benefit under any scheme at least one year prior to filing of the draft offer document, shall be eligible to continue to hold and/or exercise such options, SAR or any other benefit, in accordance with its terms and subject to compliance with these regulations and other applicable laws.”

Brief of the Amendment:

- **Who it covers:** Employees identified as *promoters* or part of the *promoter group* in the draft offer document (DRHP) filed for IPO.
- **Condition:** Such employees must have been granted ESOPs/ SARs/ other benefits **at least 1 year before filing of DRHP**.
- **Provision:** These employees can **continue to hold and exercise** their granted benefits as per scheme terms, subject to compliance with applicable laws.

Earlier Position

- **Promoters & promoter group** were explicitly excluded from ESOPs/ SARs/ other share-based schemes under SEBI SBEBSE Regulations, 2021.
- If an employee, later identified as a promoter in DRHP, held ESOPs, it created regulatory uncertainty — in many cases, such options were cancelled or converted into complex arrangements.
- This was seen as a **hardship** for senior employees who got elevated to promoter status at IPO stage (e.g., founding employees, senior management with significant shareholding).