



भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India

CIRCULAR

CIR/MRD/DoP-1/P/00108/2018

July 5, 2018

To
All Stock Exchanges

Dear Sir/Madam,

Sub: Review of Adjustment of corporate actions for Stock Options.

1. SEBI, vide Circular No. SMDRP/DC/CIR- 8/01 dated June 21, 2001, prescribed a framework for adjustment of corporate actions for stock option contracts. Further, SEBI, vide Circular No. SMDRP/DC/CIR-15/02 dated December 18, 2002, set out principles for adjustment in derivative contracts at the time of corporate actions.
2. SEBI has been receiving representations from various stakeholders requesting to review the dividend adjustment framework for stock options. The suggestions were examined and placed before the Secondary Market Advisory Committee (SMAC) for deliberations. Based on the recommendations of SMAC, it has been decided to review the mechanism of dividend adjustment for stock options.
3. The adjustment in strike price shall be carried out in the following cases of declaration of dividends:
 - a. Dividends declared at and above 5% of the market value of the underlying stock ; or



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- b. All cases of dividends, where the listed entity has sought exemption from the timeline prescribed under the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
4. All other conditions stated in Circular No. SMDRP/DC/CIR-8/01 dated June 21, 2001 and Circular No. SMDRP/DC/CIR-15/02 dated December 18, 2002 shall remain unchanged.
5. Stock Exchanges are advised to:
 - 5.1. take necessary steps and put in place necessary systems for implementation of the above.
 - 5.2. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision.
 - 5.3. bring the provisions of this circular to the notice of the member brokers of the stock exchange and also to disseminate the same on the website.
6. This circular is being issued in exercise of powers conferred under Section 11 (1) 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.

Yours faithfully,

Amit Tandon
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