

# INDIA BUSINESS LAW JOURNAL

## SEBI modifies block deal window mechanism

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**T**he Securities and Exchange Board of India (SEBI) on 26 October issued Circular No. CIR/MRD/DP/118/2017 overhauling the mechanism for block deals. These were instituted in 2005 as transactions involving the purchase/sale of a minimum quantity of 500,000 shares, or shares of a value of US\$775,300 (₹50 million), which are listed on a stock exchange in India and met certain criteria. These could be executed in a separate trading window to be maintained specially for this purpose. The circular has made the following changes that come into effect on 1 January 2018:

Only block deals that involved a transfer of shares having a minimum value of ₹100 million will be allowed to trade in the separate trading window. The block deal window (which was earlier from 9.15 am to 9.45 am) has now been revised to provide two trading windows, one in the morning and one in the afternoon. The morning block deal window will operate between 8.45 am and 9.00 am. The reference price for execution of block deals in this window will be the closing price of the stock on the previous day.

The afternoon block deal window will operate from 2.05 pm to 2.20 pm. The reference price for execution of block deals in this window will be the volume weighted average market price (VWAP) of the trades executed in the stock in the cash segment from 1.45 pm to 2.00 pm. The stock exchanges from 2:00 pm to 2:05 pm are to calculate and disseminate the information regarding the VWAP applicable for the execution of block deals in the afternoon block deal window.

All orders for block deals should be within the range of 1% above or below the reference price determined as per the above. The trading window for stock exchanges needs to be accordingly revised, with a specific stipulation that the stock exchanges would be operational only for block deal trading from 8.45 am to 9.00 am.

The remaining provisions regarding disclosures from the stock exchange on each block deal, implementation of appropriate trading and settlement practices, etc. continue to remain the same.

*The business law digest is compiled by Nishith Desai Associates (NDA). NDA is a research-based international law firm with offices in Mumbai, New Delhi, Bengaluru, Singapore, Silicon Valley and Munich. It specializes in strategic legal, regulatory and tax advice coupled with industry expertise in an integrated manner.*