RATIONALIZATION OF PROCEDURAL REQUIREMENTS FOR TRANSFER AND TRANSMISSION OF SECURITIES UNDER THE LODR REGULATIONS

Background

The Securities and Exchange Board of India ("**SEBI**"), vide the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2026 ("**Second Amendment Regulations**"), notified on July 10, 2026, has amended Regulations 40(7) and 61(4) and omitted clause C of Schedule VII of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations**").

Earlier in March 2026, SEBI had issued a consultation paper on ease of investing which provided for the simplification of documentation requirements for transmission of securities and revision in threshold limits for simplified documentation. SEBI noted that divergent practices are being followed by listed companies, RTAs, and depository participants (*collectively referred to as "**Entities**"*) while processing requests for transmission of securities, thus placing uncertainties in the way of survivors claiming such securities. In view of this, SEBI proposed a framework for consultation with respect to the procedure and documentation to be followed by Entities for transmission of securities.

One of the revisions proposed in the aforesaid framework was the amendment of Regulations 40(7) and 61(4) and the omission of clause C of Schedule VII of the LODR Regulations, on the premise that such requirements are operational in nature and may be more effectively administered through circulars and other directions issued by SEBI from time to time. The Second Amendment Regulations implement the regulatory amendments proposed in the consultation paper and pave the way for operational requirements relating to transfer and transmission of securities to be prescribed through circulars.

Key Highlights

A. Amendment to Regulation 40(7) of LODR Regulations

Regulation 40(7) of the LODR Regulations pertains to the procedural requirements which are required to be complied with by listed companies for the transfer and transmission of securities. Prior to the Second Amendment Regulations, Regulation 40(7) of the LODR Regulations provided that the procedural requirements as specified in Schedule VII of the LODR Regulations shall be complied with.

Upon enactment of the Second Amendment Regulations, the reference to Schedule VII in Regulation 40(7) of the LODR Regulations has been revised to the procedural requirements as specified by SEBI from time to time. This amendment is in line with the intent of SEBI mentioned hereinabove, i.e. to regulate the procedural aspects concerning transfer and transmission of securities through circulars.

B. Amendment to Regulation 61(4) of LODR Regulations

Regulation 61 of the LODR Regulations pertains to the terms of non-convertible debt securities and non-convertible redeemable preference shares, the transfer and transmission of which is governed by Regulation 61(4) of the LODR

Regulations. Prior to the Second Amendment Regulations, Regulation 61(4) of the LODR Regulations provided, as regards the procedural requirements pertaining to transfer and transmission of securities, that the listed company shall comply with Schedule VII of the LODR Regulations.

Upon enactment of the Second Amendment Regulations, the reference to Schedule VII in Regulation 61(4) of the LODR Regulations has, similar to the amendment in Regulation 40(7) of the LODR Regulations, been revised to the procedural requirements as specified by SEBI from time to time. This amendment is also in line with the intent of SEBI mentioned hereinabove, i.e. to regulate the procedural aspects concerning transfer and transmission of securities through circulars.

C. Deletion of Clause C in Schedule VII of LODR Regulations

Regulation 40(7) and Regulation 61(4) of the LODR Regulations, prior to the Second Amendment Regulations, referred to the procedural requirements specified in Schedule VII for the transfer and transmission of securities. Schedule VII of the LODR Regulations *inter alia* provides for requirements relating to PAN, mismatch in signatures and documentation requirements in relation to the transfer and transmission of securities.

Upon enactment of the Second Amendment Regulations, clause C of Schedule VII of the LODR Regulations, which dealt with documentation requirements in cases of transmission of securities, stands omitted. This amendment is consistent with SEBI's stated objective of shifting operational and procedural requirements relating to transfer and transmission of securities from the LODR Regulations to circular based guidance.

Since Regulations 40(7) and 61(4) no longer refer to Schedule VII, the practical significance of Schedule VII has been substantially reduced.

The amendments reflect SEBI's broader objective of separating substantive regulatory requirements from operational procedures. By enabling procedural requirements to be prescribed through circulars, SEBI would be able to respond more swiftly to evolving market practices and investor requirements without necessitating frequent amendments to the LODR Regulations.

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