

Amendment to Regulation 39 and 40 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

1. Objective:

1.1 This memorandum seeks approval of the Board to amend Regulation 39 and 40 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR Regulations') with the objective of (i) simplifying the process of credit of dematerialised securities pursuant to investor service requests; and (ii) facilitating transfer of physical securities sold/purchased prior to April 01, 2019, respectively.

2. Proposal 1: Amendment to regulation 39 of LODR Regulations regarding doing away with Letter of Confirmation ('LOC')

2.1 Background:

2.1.1 Previously, pursuant to processing of investor service requests such as issuance of duplicate securities certificate, transfer, transmission, transposition, claim from unclaimed suspense account, renewal / exchange of securities certificate, endorsement and corporate actions etc., the securities were issued by the listed companies in physical form.

2.1.2 Vide amendment to LODR Regulations, with effect from April 01, 2019, transfer of securities in physical form was discontinued and it was mandated that transfer requests could be processed only if the securities are in dematerialized form. It has also been specified that pursuant to investor service requests, the securities would be issued only in dematerialised form.

2.1.3 To facilitate investors to get credit of such securities in dematerialised form, the concept of LOC was introduced. In terms of circular dated January 25, 2022 on "Issuance of Securities in dematerialized form in case of Investor Service Requests", following process is followed by the RTA / listed company while processing investor service requests:

2.1.3.1 The RTA / listed company verifies and processes the service request and thereafter issues a LOC in lieu of physical

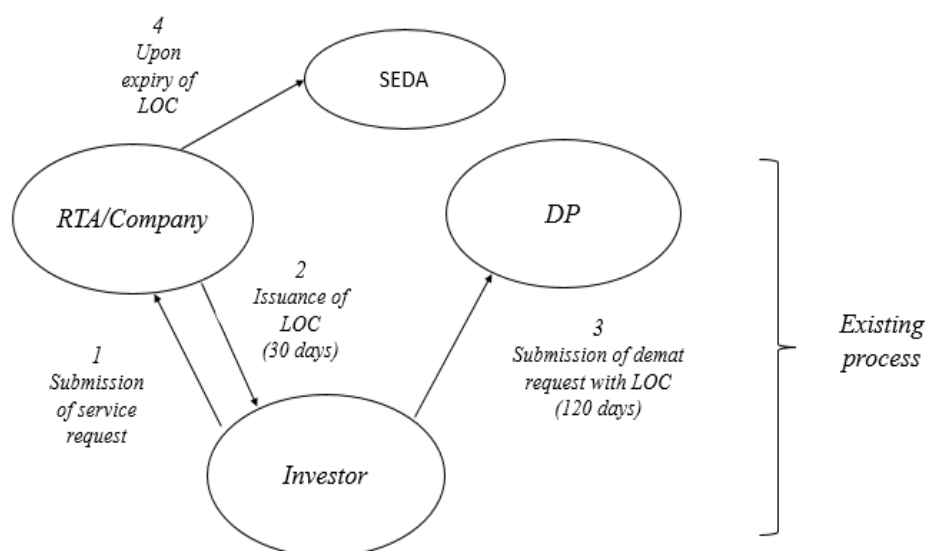
securities certificate(s), to the securities holder/claimant within 30 days of receipt of such request after removing objections, if any.

2.1.3.2 LOC is valid for a period of 120 days from the date of its issuance, within which the securities holder/claimant is required to make a request to the Depository Participant ('DP') for dematerializing the said securities.

2.1.3.3 The RTA / listed company issues reminders after the end of 45 days and 90 days respectively, from the date of issuance of LOC, informing the securities holder/claimant to submit the demat request as above, in case no such request has been received by the RTA / listed company.

2.1.3.4 In case the securities holder/claimant fails to submit the demat request within the aforesaid period, RTA / listed company credits the securities to the Suspense Escrow Demat Account ('SEDA') of the company.

2.1.4 A diagrammatic representation of above process is given as under:



2.1.5 Accordingly, Regulation 39(2) of LODR Regulations, inter alia, provides for issuance of letter of confirmation by the listed entity within a period of thirty days from the date of lodgement of request.

2.2 Issues with the current process:

2.2.1 Unnecessary efforts from investors: The process requires investors to submit the service request with the RTA / listed company and get the LOC issued. Pursuant to issuance of LOC, the investors are required to approach their DP and submit the LOC for further processing. The same leads to dual efforts and unnecessary inconvenience to the investors.

2.2.2 Increase in turn-around time ('TAT') for dematerialization and risk of loss and pilferage: The RTA / listed companies are required to process the service request within 30 days and issue LOC to the investor which has a validity of 120 days. Since, the investor is required to approach his/her DP and submit the LOC, the process, at times, delays the entire TAT for dematerialisation, sometimes extending the overall TAT to almost 5-6 months. Also, since LOC is issued in physical form, it carries risk of pilferage and loss during transit, causing further delay in the entire process.

2.2.3 Transfer of securities to SEDA: In case of non-submission of the LOC by the investor to DP within 120 days, the securities are transferred to SEDA. As and when the investor opens a demat account, he/she can claim the securities from SEDA by submitting duly filled in and signed ISR-4 and CML of the demat account.

The listed company needs to maintain SEDA with the details of security holding of each individual securities' holder(s) whose securities are credited to such SEDA. The listed company needs to pay charges for maintaining SEDA. This entire process of crediting securities to SEDA and subsequent claim by the investor creates unnecessary hassle for the investor and the listed company and leads to duplication of efforts.

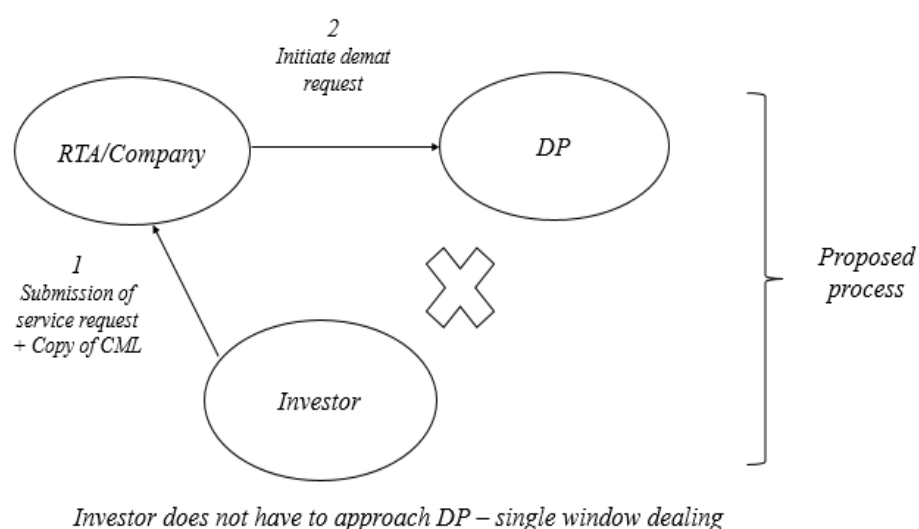
2.3 Proposal:

2.3.1 In order to simplify the process of credit of dematerialised securities pursuant to investor service request, to prevent unnecessary delay in the process and to provide ease of investing to the investors, it is proposed to do away with the requirement of issuance of LOC.

2.3.2 In this regard, the depositories will develop a process/system to enable RTAs/listed companies to credit the securities directly to the demat account of the investor after necessary due-diligence by RTAs/listed companies.

2.3.3 The investors shall have a demat account before submitting the service request. Client Master Ledger ('CML') of the demat account shall be submitted by the investor along with the service request to the RTA.

2.3.4 The proposed process flow shall be as under:



2.4 Public Consultation:

2.4.1 In order to seek public comments on the proposal, a consultation paper was issued on October 17, 2025 (**Annexure-A**) which was open for public comments till November 07, 2025 (22 days).

2.4.2 The statistics on public comments received is tabulated below:

Strongly agree	Agree	Partially Agree	Disagree	Strongly Disagree	Total
3	3	1	0	1	8

2.4.3 **Analysis of Public Comments:** Detailed public comments and our responses on the same have been placed at **Annexure-B**. As observed from above table, all of the comments, except for one, are

in agreement with the proposal. Major concerns and suggestions received in public consultation have been addressed as follows:

Concerns/Suggestions:

- One respondent stated that removal of LOC would not be suitable as LOCs are sometimes lost or delayed during processing. Hence, the respondent suggested validity of LOC should be increased from 120 days to 180 days instead of removing the system.
- One respondent suggested that investors should be mandated to submit latest CML (not older than two months).
- One respondent suggested to include details of demat account in Investor Request Form.
- One respondent suggested that LOCs already issued should be valid until a specified date. Implementation should be prospective to avoid disruption.

SEBI's response:

- It is reiterated that LOC is redundant and creates delays, duplication, and investor inconvenience. Increasing the validity of LOC would further delay the process and defeat the whole purpose. Therefore, LOC is proposed to be discontinued.
- It has already been proposed that submission of demat account details i.e. copy of CML would be mandatory. However, the suggestion that investors must submit a latest CML (not older than two months) may be accepted.
- It is clarified that existing LOCs already issued can be used within the validity period and that the changes will apply prospectively.
- Detailed operational modalities will be prescribed through a circular in consultation with Industry Standards Forum for RTAs ('RTA-ISF').

2.5 Proposals for Board approval:

- 2.5.1 In order to simplify the process of credit of dematerialised securities pursuant to investor service request, to prevent unnecessary delay in the process and to provide ease of investing to the investors, it is proposed to do away with the requirement of issuance of LOC.

- 2.5.2 In this regard, the depositories will develop a process/system to enable RTAs/listed companies to credit the securities directly to the demat account of the investor after necessary due-diligence similar to that in case of issuance of LOC, by RTAs/listed companies.
- 2.5.3 The investors shall have a demat account before submitting the service request. CML of the demat account shall be submitted by the investor along with the service request to the RTA.
- 2.5.4 Regulation 39(2) of LODR Regulations states that the listed entity shall issue letter of confirmation/receipts/advice, as applicable, of subdivision, split, consolidation, renewal, exchanges, endorsements, issuance of duplicates (loss or old/decrepit or worn out certificates) in dematerialised form within a period of thirty days from the date of such lodgement. As, currently upon receipt of service request from investors, the listed companies, after following the due process, credit the securities to demat account of the beneficial owner, the terms referring to the issuance of advice, receipts, etc. by a listed company have become redundant. Further, endorsement is applicable to the process of transfer of physical securities which is covered under Regulation 40 of LODR Regulations and may be removed from this regulation. Hence, it is proposed to modify Regulation 39(2) of LODR Regulations to reflect the correct position and remove the redundancies.
- 2.5.5 Accordingly, in view of above, suitable amendments are proposed to be carried out in Regulation 39(2) of LODR Regulations.

3. Proposal 2: Amendment to Regulation 40 of LODR Regulations regarding Transfer of Securities

3.1 Background:

- 3.1.1 Transfer of securities in physical form was discontinued with effect from April 1, 2019 vide an amendment to Regulation 40 of the LODR Regulations. Accordingly, proviso to Regulation 40(1) of LODR Regulations, provides that “requests for effecting transfer of securities shall not be processed unless the securities are held in the

dematerialised form with a depository”. This was done in accordance with SEBI's objective to encourage dematerialisation of securities in view of the inherent benefits.

3.1.2 Subsequently, SEBI, vide Press Release No. 12/2019 dated March 27, 2019, clarified that transfer deeds lodged prior to the deadline of April 01, 2019 and rejected / returned due to deficiency in the documents may be re-lodged with requisite documents. It was decided to fix March 31, 2021 as the cut-off date for re-lodgement of transfer deeds.

3.1.3 The above timelines have been tabulated below for clarity:

Requirement	Timeline	Remarks
Discontinuation of transfer of securities in physical form	April 01, 2019	Amendment to Regulation 40 of LODR Regulations to specify that transfer requests cannot be processed unless securities are in demat mode.
Clarification regarding re-lodgement of old transfer deeds	March 31, 2021	Press release dated March 27, 2019 and circular dated September 07, 2020 clarified that transfer deeds lodged before April 01, 2019 and returned due to deficiencies may be re-lodged till March 31, 2021.

3.1.4 Through feedback shared by investors, it is gathered that such prohibition on transfer in physical form has had unintended consequences with several genuine investors having been deprived of their right to property. Such investors have not been able to get the securities transferred and further dematerialised in their favour due to a number of reasons, significant among them being as follows:

3.1.4.1 Transfer not lodged/rejected earlier and stuck due to seller(s) of the shares being deceased.

3.1.4.2 Shares sold by juridical /artificial persons which are dissolved / liquidated / struck off by MCA.

- 3.1.4.3 Transfer deed executed but the transfer deed is not lodged or rejected under objection. Transferor is neither traceable nor is the buyer able to submit the proof of purchase.
- 3.1.4.4 Transfer deed executed but not lodged and the transferor is not co-operative.
- 3.1.4.5 Shares sent for transfer along with proper documents within SEBI deadline but sent to wrong RTA, thereby leading to delay.
- 3.1.4.6 Company failed to effect the transfer due to oversight and later the transferor of shares (a foreign entity) closed its operations.
- 3.1.5 To alleviate the challenges faced by investors affected by the scenarios mentioned above at Para 3.1.4 and to ensure that they have access to their investment, SEBI formed a panel of experts ('the Panel') which includes Registrar and Share Transfer Agents, listed companies and Legal Expert, for recommending actions to facilitate transfer of physical securities and protecting the right to property of the investors.
- 3.1.6 The Panel recommended that to ease the issues faced by investors who missed the March 31, 2021 deadline for re-lodgement, one more opportunity may be granted to them to re-lodge such securities for transfer.
- 3.1.7 Accordingly, SEBI, in order to facilitate ease of investing for investors and to secure the rights of investors in the securities which were purchased by them, vide Circular dated July 02, 2025, opened a special window only for re-lodgement of transfer deeds, which were lodged prior to the deadline of April 01, 2019 and rejected/returned/not attended to due to deficiency in the documents/process/or otherwise, for a period of six months from July 07, 2025 till January 06, 2026.
- 3.1.8 Data pertaining to investor requests was analysed based on the reports received from the top 8 RTAs for the period July 07, 2025 to October 31, 2025 in order to assess the number of applications coming in, approvals and rejections etc. The summary of the report is as follows:

Summary of Transfer Requests Received from July 07, 2025 to October 31, 2025				
Total	Number of requests received	No. of requests processed during this period	No. of requests approved	No. of requests rejected
	2184	1920	11	1909

- 3.1.9 An analysis of the data revealed that 42 percent of the requests received were for fresh lodgement of transfer deeds for physical securities for transfers executed prior to April 1, 2019. Such requests had to be rejected by RTAs/listed companies as the window was opened only for re-lodgement of transfer requests which were “lodged prior to the deadline of April 01, 2019 and rejected/returned/not attended to due to deficiency in the documents/process/or otherwise”.
- 3.1.10 The issue of such large number of requests pertaining to fresh lodgement of transfer deeds was discussed in a meeting of the Panel. It was noted by the Panel that in many cases, it was not possible for the transferee to get the securities dematerialised due to the reasons stated at Para 3.1.4, thereby depriving investors of access to their own investments.
- 3.1.11 Based on the deliberations, the Panel recommended that since most of the transfer cases pertain to fresh lodgement of transfer deeds for transfer executed prior to April 1, 2019, an exception may be created in Regulation 40 of LODR Regulations to facilitate the investors to get rightful access to their property. The Panel recommended that such exception must be with a sunset clause in order to ensure that the overall broader objective of SEBI to ensure maximum dematerialisation is fulfilled while also providing an avenue to investors to transfer and dematerialise their securities.
- 3.1.12 The Panel proposed this relaxation for all transfer deeds executed before April 01, 2019, as pursuant to that date, no physical transfers were allowed.

3.2 Proposal:

- 3.2.1 Accordingly, considering the recommendations of the Panel and internal deliberations and in order to ensure ease of investing and to reconstitute right to property of investors, suitable amendments are proposed to be carried out to Regulation 40(1) of the LODR Regulations to specify that the proviso regarding transfer of securities only in dematerialised mode shall not be applicable for a period as may be specified by the Board.
- 3.2.2 Further, that the proposed provision shall be applicable only to those investors who executed their transfer deeds prior to the deadline of April 01, 2019 so that such investors are able to get their physical securities transferred in their name and subsequently dematerialised.

3.3 Public consultation

- 3.3.1 In order to seek public comments on the proposal, a consultation paper was issued on October 17, 2025 (**Annexure-A**) which was open for public comments till November 07, 2025 (22 days).
- 3.3.2 The statistics on public comments received is tabulated below:

Strongly agree	Agree	Partially Agree	Disagree	Strongly Disagree	Total
3	2	1	0	2	8

- 3.3.3 **Analysis of Public Comments:** Detailed public comments and our responses on the same have been placed at **Annexure-B**. As observed from above table, all of the comments, except for two, are in agreement with the proposal. Major concerns and suggestions received in public consultation have been addressed as follows:

Concerns/Suggestions:

- One respondent submitted that allowing fresh lodgement of old transfer deeds may result in confusion and disputes since new security certificates may have been issued post corporate actions and may have already been dematerialized. Further, the transferor may have forgotten about the transfer after so many years and may have updated KYC and got the duplicate shares issued.

There may also be potential for forged transfer deeds and misuse by legal heirs or agents.

- One respondent suggested operational aspects such as mandatory submission of original transfer deed, original share certificates and attested copy of CML by the DP not older than two months, inclusion of indemnity clauses, PAN/KYC verification, payment of stamp duty based on current market value. The respondent also suggested that shares transferred to IEPF should not be considered.
- One respondent suggested that the lodgement window should be open only for a limited period (6–12 months) and that transfers should be credited to demat accounts within 45–60 days.
- One respondent suggested that for transfers executed before 2015 (when PAN wasn't required), such documents should be accepted with affidavit and indemnity even without PAN.

SEBI's response:

- The proposal aims to reconstitute rights of investors in their securities that they invested in, which are currently stuck as transfer of securities is not allowed in physical mode. Risk of fraud is mitigated as all such processes shall be subject to necessary due diligence by RTAs/Listed Companies.

Further, cases involving disputes or frauds will be excluded and may be taken up by the investors through court/NCLT route or any other legal proceedings. Also, since this window is specifically for transfer of physical securities in the name of the transferee, an essential condition would be the possession of original securities certificates. It is proposed that detailed operational guidelines, safeguards and processes will be issued through a circular in consultation with RTA-ISF.

- With regard to suggestions on documentation requirements, sunset clause and timelines for processing, it is proposed that detailed operational guidelines, safeguards and processes will be issued through a circular in consultation with RTA-ISF.

- With regard to suggestion on non-availability of transferor's PAN in transfer deeds executed when there was no requirement of the PAN, it is proposed that in cases where the transfer deeds were executed prior to notification of LODR Regulations (i.e. December 01, 2015), the transfer may be registered with or without PAN of the transferor as per the requirement of quoting PAN under the applicable Income Tax Rules.

3.4 Proposal for Board approval:

- 3.4.1 Suitable amendments are proposed to be carried out to Regulation 40(1) of the LODR Regulations to specify that the proviso regarding transfer of securities only in dematerialised mode shall not be applicable for a period, and subject to such conditions, as may be specified by the Board.
- 3.4.2 The proposed provision shall be applicable only to those investors who executed their transfer deeds prior to the deadline of April 01, 2019 and are in possession of the original securities so that such investors are able to get their physical securities transferred in their name and subsequently dematerialise them.
- 3.4.3 Such transfers shall be subject to necessary due diligence by RTAs/listed companies and due process shall be followed for such transfer-cum-dematerialisation requests. Once the transfer is registered by the listed company/RTA, the securities shall be credited to the transferee only in dematerialised mode.
- 3.4.4 In cases where the transfer deeds were executed prior to notification of LODR Regulations (i.e. December 01, 2015), the transfer may be registered with or without PAN of the transferor as per the requirement of quoting PAN under the applicable Income Tax Rules
- 3.4.5 Pursuant to the proposed amendment to Regulation 40(1) of LODR Regulations, necessary directions for implementation of the proposal, including sunset period and operational modalities, shall be issued by way of circular.

4. The present and proposed provisions of LODR Regulations are placed at **Annexure-C** for consideration and approval. The draft notification of LODR Regulations is placed at **Annexure-D**.

5. Proposal for consideration:

5.1 The Board is requested to:

- 5.1.1 consider and approve the recommendations stated at **paragraph 2.5 and 3.4** to suitably amend the LODR Regulations.
- 5.1.2 authorize the Chairman to take necessary steps to implement the proposals including notification of amendments, issuing circulars, wherever necessary with consequential and appropriate changes, as may be required.

Encl.:

Annexure-A – Consultation Paper on proposed amendment to certain provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to facilitate transfer of securities transferred prior to April 1, 2019 and simplify the process of dematerialization of securities

Annexure-B – Concerns with respect to proposals in the consultation paper and SEBI's comments

Annexure-C – Present and proposed provisions of LODR Regulations

Annexure-D – Draft notification of LODR Regulations

Annexure-A

(Available on SEBI Website www.sebi.gov.in under the head “Reports & Statistics”>>”Reports”>>”Reports for Public Comments”)

Annexure-B

(This has been excised for reasons of confidentiality.)

Annexure-C

(Amendments shall be notified after following the due process.)

Annexure-D

(Amendments shall be notified after following the due process.)