SECURITIES AND EXCHANGE BOARD OF INDIA

Sub: Amendment to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for simplification of procedure for transmission of securities

1.0 Objective

1.1 This memorandum seeks the approval of the Board to make amendment to Clause C (1) and Clause C (2) of Schedule VII of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations"), for simplification of procedure for transmission of securities

2.0 Background

2.1 Several measures have been taken by the Board to enhance the ease of dealing in securities market by the investors.

2.2 Representations and suggestions have been received from investors to further ease the process of transmission, such as:

2.2.1 enhancing the present monetary limits for simplified documentation for transmission of securities

2.2.2 allowing 'legal heirship certificate or equivalent certificate' as one of the acceptable documents for transmission cases.

2.2.3 clarifying on the acceptability of Will and prescribing additional requirements for Will since different practices with respect to documentation requirement along with Will, are being followed by listed companies/registrar and share transfer agents.

2.3 Ministry of Corporate Affairs has also requested SEBI to consider 'Legal Heirship Certificate' as one of the acceptable documents for the process of transmission of securities vide letter dated September 22, 2021.

2.4 During the Covid-19 pandemic, it was observed that due to nature of documents required for transmission, there were delays in processing transmission requests of investors.

2.5 Delays in processing of such requests may lead to financial loss to investors due to the volatile nature of the securities market.

3.0 Proposal

3.1 Revision of the existing threshold limit for the purpose of simplified documentation (Clause C(1) and C(2) of Schedule VII of LODR Regulations 2015)

3.1.1 The existing threshold limit for simplified documents may be revised from Rupees Two Lakhs to Rupees Five Lakhs for securities held in physical mode and Rupees Five Lakhs to Rupees Fifteen Lakhs for securities held in dematerialized mode.

3.2 Introduction of Legal Heirship Certificate (LH certificate) or its equivalent certificate (sub-Clause (i) and (ii) of second proviso to Clause C(2) of Schedule VII of LODR Regulations 2015

3.2.1 LH certificate or its equivalent certificate is proposed to be an acceptable document for transmission of securities, along with the following:

3.2.1.1 Indemnity bond executed and notarized, from the legal heir(s) to whom the securities are transferred, in the format prescribed by the Board; and

3.2.1.2 No Objection from all the non-claimants, who have relinquished their rights to the claim, if any, for transmission of securities.

3.3 Additional requirement in case of Will (Clause C(2) of Schedule VII of LODR Regulations 2015)

3.3.1 Will is an accepted document as per the existing provisions of LODR Regulations 2015 for the purpose of transmission of securities held in physical and dematerialized mode. It is now proposed to be accompanied with an Indemnity bond executed and notarized, from the legal heir(s) to whom the securities are proposed to be transmitted, in the format prescribed by the Board.

3.4 Simplification of process where the securities are held in a single name with a nominee (Clause C(2) (a) (ii) of Schedule VII of LODR Regulations 2015)

3.4.1 Copy of death certificate(attested by the claimant), subject to verification with original may be made an acceptable document along with the existing procedure of original or copy of death certificate duly attested by a notary public or by a Gazetted Officer.

4.0 Benefits of the proposed changes

4.1 Revising the threshold limit would be an investor friendly measure. Moreover, increasing the value threshold for demat accounts to a higher level than for physical holdings would encourage more physical shareholders to dematerialize their holdings.

4.2 Introduction of LH certificate or its equivalent certificate would provide an additional avenue to the investor, which is less time consuming and easier than obtaining the other documents in intestate succession, for example, Succession Certificate or Court Decree.

4.3 Clarity with regard to acceptability of Will would ensure that uniform processes are followed by the RTAs/listed companies and would further ease the transmission process for investors.

5.0 Proposals for consideration of the Board

5.1 Accordingly, in order to give effect to the proposal at Para 3.0, the following regulations may be amended:

5.1.1 Schedule VII of LODR Regulations,2015 which provides for – “Transfer of securities”

5.1.2 Clause C(1) of Schedule VII of LODR Regulations,2015 which provides that – "In case of transmission of securities held in dematerialized mode, where the securities are held in a single name without a nominee, for the purpose of following simplified documentation, as prescribed by the depositories vide bye-laws or operating instructions, as applicable, the threshold limit is rupees five lakhs only per beneficiary owner account".

5.1.3 Clause C(2) of Schedule VII of LODR Regulations,2015 which provides that –

"In case of transmission of securities held in physical mode:

(a) where the securities are held in single name with a nominee:

(i) duly signed transmission request form by the nominee;

(ii) original or copy of death certificate duly attested by a notary public or by a gazetted officer;

(iii) self attested copy of PAN card of the nominee.

(b) where the securities are held in single name without a nominee, an affidavit from all legal heir(s) made on appropriate non-judicial stamp paper, to the effect of identification and claim of legal ownership to the securities shall be required; Provided that in case the legal heir(s)/claimant(s) is named in the succession certificate or probate of will or will or letter of administration, an affidavit from such legal heir(s) / claimant(s) alone would be sufficient.

Provided further that:

(i) for value of securities, threshold limit of up to rupees two lakhs only, per listed entity, as on date of application, a succession certificate or probate of will or will or letter of administration or court decree as may be applicable in terms of Indian Succession Act, 1925 may be submitted :

Provided that in the absence of such documents, the following documents may be submitted:

1. no objection certificate from all legal heir(s) who do not object to such transmission or copy of family settlement deed duly notarized and executed by all the legal heirs of the deceased holder;
2. an indemnity bond made on appropriate non judicial stamp paper, indemnifying the Share Transfer Agent / listed entity;

(ii) for value of securities, more than rupees two lakh, per listed entity, as on date of application, a succession certificate or probate of will or will or letter of administration or court decree, as may be applicable in terms of Indian Succession Act, 1925 shall be submitted;

(iii) the listed entity, however, at its discretion, may enhance value of securities, threshold limit, of rupees two lakh.

5.2 The above Regulations are proposed to be amended on the lines of draft as suggested in the Annexure A. The comparison of present and proposed amendments and the draft amendment to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 are placed alongside at Annexure-A and Annexure B, respectively, for approval.

5.3 Necessary operating guidelines and other modalities to be followed by RTA/ listed companies shall be issued by way of Circular.

6.0 Proposals

The Board is requested to consider and approve the proposals at Para 3.0 and 5.0, and authorize the Chairperson to amend the LODR Regulations. The Board is also requested to authorize the Chairperson to take consequential and incidental steps to give effect to the decisions of the Board.

Annexure A

This has been excised.

Annexure B

Amendment to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 shall be notified after following the due process.