



Consultation Paper

Certain amendments to SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 with the objective of encouraging dematerialization of securities and streamlining certain processes in view of current regulatory landscape

JANUARY 14, 2025

OBJECTIVE

1. This consultation paper seeks comments / views / suggestions from the public and other stakeholders on the following proposals relating to amendments to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations, 2015”):
 - 1.1 Mandating issuance of new securities pursuant to (i) consolidation/split of face value of securities and (ii) scheme of arrangements, only in dematerialised form.
 - 1.2 Modification to certain provisions in view of current market developments.
2. **Mandating issuance of new securities pursuant to (i) consolidation/split of face value of securities and (ii) scheme of arrangements, only in dematerialised form:**

2.1 Background

- 2.1.1 In view of the inherent benefits of dematerialisation of securities such as elimination of risks associated with physical certificates viz. loss, theft, mutilation and fraud, etc., various policy measures have been taken on ongoing basis for issuance of securities by listed companies only in demat mode, as under:

Sr. No.	Provision	With effect from
1	Public issue of securities is permitted only in demat mode ¹ .	September 12, 2014
2	Transfer of physical securities permitted only in demat mode ² .	April 01, 2019
3	Allotment of securities in a Rights issue shall be made only in the dematerialised form ³ .	December 26, 2019
4	Issuance of securities in demat form in case of Investor Service Requests ⁴ .	January 25, 2022

¹ Section 29 of Companies Act, 2013

² Regulation 40(1) of LODR Regulations, 2015

³ Regulation 77 A of ICDR Regulations, 2018 inserted w.e.f. December 26, 2019

⁴ Investor Service Requests involving (a) Issue of duplicate securities certificate; (b) Claim from Unclaimed Suspense Account (c) Renewal / Exchange of securities certificate (d) Endorsement; (e) Sub-division / Splitting of securities certificate; (f) Consolidation of securities certificates/folios; (g) Transmission; (h) Transposition;

5	Allotment of shares in a bonus issue shall be made only in the dematerialised form ⁵ .	May 23, 2023
6	The listed entity shall ensure that hundred percent of shareholding of promoter(s) and promoter group is in dematerialised form and the same is maintained on a continuous basis ⁶ .	-

2.1.2 However, the following avenues are still available for listed companies for issuance of securities in physical mode:

- 2.1.2.1 Consolidation of Face Value of Securities;
- 2.1.2.2 Sub-Division or split of Face Value of Securities;
- 2.1.2.3 Issuance of securities pursuant to Scheme of Arrangement viz. merger, demerger and reconstruction etc.

2.1.3 In accordance with SEBI's objective to move towards greater and greater dematerialisation of securities, it is necessary to prevent fresh creation of physical securities by listed companies for the Corporate Actions mentioned in para 2.1.2.1 to 2.1.2.3 above.

2.2 Existing Regulatory Provisions

Presently, SEBI (LODR) Regulations, 2015 does not specifically provide for issuance of new securities mandatorily in dematerialised form in case of stock-split, consolidation of face value of shares or merger/demerger. However, presently, if desired by the listed companies, it can be included in the shareholders' resolution approving such corporate action. Similarly, issuance of shares in demat form pursuant to merger/demerger can also be covered in the scheme of arrangement. Following data represents the number of corporate actions initiated in last two financial years and first half of current financial year:

FY	No. of Corporate Actions			
	No. of sub-division/split of FV	No. of consolidation of FV	Scheme of Arrangements	Total
2022-23	13	NIL	21	34
2023-24	10	NIL	16	26
2024-25 (Till September 20, 2024)	9	NIL	9	18

Source: NSDL/CDSL

⁵ Regulation 294(6) of ICDR Regulations, 2018 inserted w.e.f. May 23, 2023.

⁶ Regulation 31(2) of SEBI LODR Regulations, 2015



2.3 Rationale

- 2.3.1 Dematerialisation of securities has several benefits, which include reduction of frauds and forgery, elimination of loss and damage of securities, faster and more efficient transfers, improved transparency and regulatory oversight, mitigation of legal disputes, cost reduction of investors and companies etc.
- 2.3.2 Considering the above, while SEBI is encouraging holding of securities in demat form by the investors, at present, a few investors hold securities in physical form. Although, it is legally permissible to hold securities in physical form, an investor can sell or transfer such securities only after dematerialising these securities.
- 2.3.3 Thus, in order to progress further towards greater dematerialisation of securities and to prevent fresh creation of physical securities by listed entities, a need is felt that the existing security certificates are converted into demat form and no new physical security certificates are created.

2.4 Proposal

- 2.4.1 Accordingly, in order to achieve the objective as stated at Para 2.1, it is proposed to amend SEBI (LODR) Regulations, 2015 to mandate issuance of securities only in demat form in case of sub-division / split / consolidation of face value of securities and scheme of arrangement to encourage demat holding of securities.
- 2.4.2 In case an investor does not have a demat account then the Issuer companies shall be required to open a separate demat account with a suitable ledger of ownership ("suspense escrow account") for dealing with such securities.

2.5 Public Comments

Comments/suggestions are solicited from public on the following point:

Whether issuance of new securities pursuant to (i) subdivision / split / consolidation of Face Value of Securities and (ii) Scheme of Arrangement, should be compulsorily allowed in dematerialised form only?

3. Modifications to certain provisions of LODR Regulations

There are certain provisions of SEBI LODR Regulations which have become redundant or require amendment considering the current regulatory landscape. In view of the recommendations provided by a working group comprising of market participants such as Listed Companies, Registrars to an Issue and Share Transfer Agents, Mutual Funds and Legal Experts, it is proposed to review such provisions.

3.1. **Doing away with registration of transfers and related provisions** **[Regulation 40(4) and 40(5)]**

Reg.	Current Provision	Proposed Change	Rationale
40(4)	The listed entity shall not register transfer when any statutory prohibition or any attachment or prohibitory order of a competent authority restrains it from transferring the securities from the name of the transferor(s).	To be omitted.	Transfer of shares in physical form has been discontinued by SEBI with effect from 1st April, 2019. Hence, these sub-regulations may not be relevant.
40(5)	The listed entity shall not register the transfer of its securities in the name of the transferee(s) when the transferor(s) objects to the transfer: Provided that the transferor serves on the listed entity, within sixty working days of raising the objection, a prohibitory order of a Court of competent jurisdiction.	To be omitted.	

3.2. **Doing away with the requirement of maintaining “proof of delivery”** **(Schedule VII)**

Reg.	Current Provision	Proposed Change	Rationale
Schedule VII	B. Difference in Signature 1(a)..... 1(b).....	The requirement of maintaining the “proof of delivery” relating to the intimation of “minor difference in the signature” and	Listed entities are maintaining the record of proof of dispatch and the dispatches are being done through speed post/courier wherein



Provided, that the listed entity shall maintain proof of delivery for in their record(s).	“major difference in signature or non-availability of signature to be omitted.	the record of proof of delivery is maintained upto six months for reference.
2(a).....		Further, it may not be practical for listed entities to download the proof of delivery record by record and maintain the record of the same.
2(b).....		
2(c).....		
2(d).....		
Provided, that the listed entity shall maintain proof of delivery for in their record(s).		

3.3. Public Comments

Comments/suggestions are solicited from public on the following point:

Whether there is a need to amend aforesaid provisions of SEBI LODR Regulations in view of current regulatory landscape?

SUBMISSION OF PUBLIC COMMENTS

4. In order to take into consideration, the views of various stakeholders, public comments are invited on the proposals at para 2.5 and 3.3 above. The comments / suggestions along with rationale should be submitted no later than **February 04, 2025**, through the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

5. In case of any technical issue in submitting your comment through web based public comments form, you may write to consultationmirsd@sebi.gov.in with the subject: "*Comments on consultation paper on certain amendments to SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 with the objective of encouraging dematerialization of securities and streamlining certain processes in view of current regulatory landscape*".
