SEBI (LODR) (Second Amendment) Regulations, 2026:
A Shift Towards a Dynamic Compliance Framework

A. Introduction

The Securities and Exchange Board of India (SEBI) notified the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2026 on 10 July 2026. While the amendments are relatively concise, its implications are significant from a compliance and governance perspective. The amendment modifies Regulations 40(7) and 61(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations**") and omits Clause C of Schedule VII.

Although at first glance, the changes may appear procedural, the amendments fundamentally alters the manner in which listed entities must approach compliance relating to the transfer and transmission of securities by replacing prescriptive regulatory provisions with a framework that empowers SEBI to specify procedural requirements from time to time.

B. Summary of the amendments

a. Amendment to Regulation 40(7)

Prior to the amendment, Regulation 40 contained specific procedural references concerning transfer and transmission of securities. The revised Regulation 40(7) now provides that:

> "The listed entity shall comply with all procedural requirements with respect to transfer and transmission of securities as specified by the Board from time to time."

b. Amendment to Regulation 61(4)

Regulation 61 applies to entities that have listed non-convertible securities and other specified debt instruments. The amendment replaces the reference to procedural requirements "specified in Schedule VII" with a reference to requirements "as specified by the Board from time to time."

Consequently, debt-listed entities are now subject to the same dynamic compliance framework applicable to equity-listed entities for matters relating to transfer and transmission of securities.

c. Omission of Clause C of Schedule VII

The amendment removes Clause C from Schedule VII of the LODR Regulations. This deletion reflects SEBI's intention to relocate detailed procedural requirements outside the Regulations and into operational guidance that can be updated more efficiently in response to evolving market practices.

C. Regulatory intent behind the amendments

The amendment appears to be driven by SEBI's broader objective of creating a more agile and responsive regulatory framework. Traditionally, changes to transfer and transmission procedures required amendments to the LODR Regulations, resulting in relatively lengthy regulatory processes.

Under the revised framework, SEBI can respond more quickly to developments in market infrastructure, digitization initiatives, and investor-service requirements

The amendment is also aligned with the increasing dematerialization of securities and the growing role of depositories, registrars and transfer agents (RTAs), and technology-enabled investor services. By separating regulatory principles from operational procedures, SEBI has created a framework that can evolve without frequent legislative intervention.

D. Impact on Listed Companies

1. Increased compliance responsibility and greater dependence on regulatory updates
2. Enhanced Oversight of RTAs
3. Uniformity Across Equity and Debt Listings

By amending Regulation 61(4), SEBI has harmonized compliance expectations for both equity-listed and debt-listed entities. Companies with listed debt securities will need to adopt compliance processes similar to those followed by equity-listed issuers when monitoring transfer and transmission requirements.

E. Conclusion

The SEBI (LODR) (Second Amendment) Regulations, 2026 do not introduce substantive changes to investor disclosure or corporate governance requirements. Instead, they represent a strategic regulatory shift in the governance of transfer and transmission of securities. By replacing detailed procedural provisions with a framework that allows SEBI to prescribe requirements from time to time, the regulator has increased flexibility, responsiveness, and alignment with evolving market infrastructure.

For listed entities, however, this flexibility comes with a corresponding obligation to strengthen regulatory monitoring, enhance oversight of RTAs, and implement robust regulatory change-management processes. The amendment therefore marks a shift from static compliance with prescribed rules to ongoing compliance with an evolving body of SEBI-issued procedural requirements.

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