



SEBI/HO/MRD2/DDAP/CIR/P/2020/137

July 24, 2020

CIRCULAR

To,
All Depositories

Subject: Recording of all types of Encumbrances in Depository system

Sir/ Madam,

1. SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 requires promoters of a company to disclose details of their encumbered shares. In this regard, it was observed that apart from pledge, hypothecation and non-disposal undertakings(NDUs), currently there is no framework to capture the details of other types of encumbrances in the depository system.
2. It has now been decided that Depositories shall put in place a system for capturing and recording all types of encumbrances, which are specified under Regulation 28(3) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time. Towards this end, Depositories shall follow processes and other norms similar to that stipulated for the purpose of capturing and recording NDUs in Depository system. This is apart from pledge and hypothecation, whose processes and specific norms are separately provided in SEBI (Depositories & Participants) Regulations, 2018 and circulars issued thereon.
3. The freeze and unfreeze instructions executed by the Participant for recording all encumbrances will be subject to 100% concurrent audit.
4. The Depository Participant shall not facilitate or be party to any type of encumbrance outside the Depository system as outlined herein.
5. The Depositories shall implement the provisions of this circular within one month from the date of this circular.



6. The Depositories are advised to:
- i. make amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision, as may be applicable/necessary;
 - ii. to carry out system changes if any to implement the above;
 - iii. disseminate the provisions of this circular on their website;
 - iv. communicate to SEBI, the status of implementation of the provisions of this circular in their Monthly Development Report.
7. This circular is being issued in exercise of the powers conferred by Section 11(1) of Securities and Exchange Board of India Act, 1992 and section 19 of the Depositories Act, 1996 to protect the interest of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

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