



## **SEBI introduces mechanism for lock-in of pledged shares to ease capital market operations**

The Securities and Exchange Board of India vide circular **HO/49/(17)2026-CFD-POD2/I/8965/2026 dated April 8, 2026**, has operationalised amendments to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 to facilitate ease of doing business. The amendment, notified on March 21, 2026, allows specified securities—where traditional lock-in cannot be created—to instead be marked as “**non-transferable**” by depositories for the applicable lock-in period. The circular has been issued under **Section 11(1) of the SEBI Act, 1992 and Section 26(3) of the Depositories Act, 1996**.

### **Analysis**

- The amendment introduces a **practical alternative to lock-in restrictions**, enabling depositories to mark pledged shares as *non-transferable* instead of imposing conventional lock-in constraints.
- Depositories are required to **implement system-level changes** to record and monitor such non-transferability during the lock-in period.
- Issuers must **incorporate enabling provisions in their Articles of Association (AoA)** to reflect this mechanism.
- Mandatory **intimations to lenders/pledgees** must be ensured, strengthening transparency in pledged share arrangements.
- Offer documents must include **appropriate disclosures** regarding such lock-in arrangements to inform investors adequately.
- Stock exchanges, depositories, merchant bankers, and issuers are collectively responsible for **ensuring compliance with the revised framework**.
- The circular will require process alignment across issuers, depositories, and intermediaries. Companies will need to amend their AoA, update internal compliance frameworks, and ensure timely disclosures in offer documents. Depositories must maintain robust system controls to track non-transferability of pledged shares. Merchant bankers and stock exchanges will need to enhance due diligence and verification processes. While the changes may increase compliance efforts initially, they are expected to simplify execution of pledged share lock-ins and improve transparency in capital market transactions.



➤ **Key Takeaways**

- Introduction of *non-transferable* status as an alternative to lock-in for pledged shares
- Mandatory system and process changes by depositories
- Issuers required to amend AoA and enhance disclosures
- Regulatory backing under **SEBI Act, 1992** and **Depositories Act, 1996**
- Applicability across stock exchanges, depositories, merchant bankers, and issuers
- Step towards improving ease of doing business and market transparency

➤ The notification is attached herein.

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