



# Consultation Paper

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Proposed amendment to SEBI LODR Regulations, 2015  
with respect to allowing only electronic mode for payment  
of dividend or interest or redemption or repayment  
amounts

**SEPTEMBER 20, 2024**



## OBJECTIVE

1. The objective of this consultation paper is to seek comments / views / suggestions from the public and other stakeholders on the proposal to amend Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations, 2015”) for allowing only electronic mode for payment of dividend or interest or redemption or repayment amounts.

## PROPOSAL

2. **Allowing only electronic mode for payment of dividend or interest or redemption or repayment**

### 2.1. Existing Regulatory Provisions

Regulation 12 of SEBI LODR Regulation, 2015 deals with payment of dividend or interest or redemption or repayment and the same reads as follows:

*“The listed entity shall use any of the electronic mode of payment facility approved by the Reserve Bank of India, in the manner specified in Schedule I, for the payment of the following:*

- (a) dividends;*
- (b) interest;*
- (c) redemption or repayment amounts:*

*Provided that where it is not possible to use electronic mode of payment, ‘payable-at-par’ warrants or cheques maybe issued:*

*Provided further that where the amount payable as dividend exceeds one thousand and five hundred rupees, the ‘payable-at-par’ warrants or cheques shall be sent by speed post.”*

“Schedule I- Terms of Securities” of the LODR Regulations, 2015 is reproduced hereunder:

*The listed entity shall use the facility of electronic clearing services or real time gross settlement or national electronic funds transfer as follows:-*

- (1) the listed entity either directly or through the depositories or through their Registrar to an Issue and/or Share Transfer Agent, shall use electronic clearing services (local, regional or national), direct credit, real time gross settlement, national*



*electronic funds transfer etc. for making payment of dividend/interest on securities issued/redemption or repayment amount.*

*(2) the listed entity or Share Transfer Agent shall maintain bank details of their investors as follows –*

- (a) for investors holding securities in dematerialized mode, by seeking the same from the depositories.*
- (b) for investors holding securities in physical mode, by updating bank details of the investors at their end.*

*(3) In cases where either the bank details such as Magnetic Ink Character Recognition, Indian Financial System Code, etc. that are required for making electronic payment are not available or the electronic payment instructions have failed or have been rejected by the bank, listed entity or share transfer agent shall issue 'payable-at-par' warrants/ cheques for making payments:*

*Provided that the listed entity shall mandatorily print the bank account details of the investors on such payment instruments and in cases where the bank details of investors are not available, the listed entity shall mandatorily print the address of the investor on such payment instructions.*

## **2.2. Rationale**

2.2.1. Regulation 12 of SEBI LODR Regulations, 2015 provides for electronic mode of payment of dividend, interest, redemption and repayment amounts and further states that where it is not possible to use electronic mode of payment, 'payable-at-par' warrants or cheques maybe issued. Also, where the amount payable as dividend exceeds one thousand and five hundred rupees, the 'payable-at-par' warrants or cheques shall be sent by speed post.

2.2.2. Thus, at present, where a securityholder of a listed company does not have a bank account in the records of the Company/RTA or the bank details provided by the securityholder is incorrect, electronic payments fail. Therefore, the listed entities need to send warrants or cheques to such securityholders. At present, as per the data sought from the RTAs of top 200 listed companies by way of market capitalization, payment of dividend has failed electronically in **1.29%** demat accounts.

2.2.3. Electronic payment of amounts, mainly dividends, offers several advantages including following:

- (a) Convenience and Speed: Dividends are credited directly to the bank account, eliminating the need to deposit cheques manually. This results in quicker receipt of payments.



- (b) Reduced Risk of Loss or Fraud: The risk of cheques being lost in transit or intercepted for fraudulent purposes is eliminated, providing greater security.
- (c) Environmental Friendly: Reduces paper usage since no physical dividend warrants or cheques need to be issued.
- (d) Lower Transaction Costs: It minimizes administrative costs for companies (no printing, postage, or cheque processing fees).
- (e) Easier Tracking: Securityholders can track dividend payments easily via their bank statements, making it easier for record-keeping and tax filings.
- (f) Error Reduction: Automation reduces the chances of errors in dividend issuance, like incorrect addresses etc.

2.2.4. Vide SEBI Circular SEBI/HO/MIRSD/MIRSD\_RTAMB/P/CIR/2021/655 dated November 03, 2021<sup>1</sup>, any payment including dividend, interest or redemption payment to the investors holding securities in physical form was mandated to be made only in electronic form. The provisions of the said Circular have come into effect from **April 01, 2024** after multiple extensions. Thus, from April 01, 2024, physical securityholders are entitled to receive any kind of payment in electronic form only.

2.2.5. Considering the benefits of electronic payment as stated above as well as to bring the process of payment of dividend, interest, redemption or repayment to demat account holders at par with physical securityholders, it is proposed that any payment including dividend, interest or redemption or repayment by Listed entities/ RTAs may be mandated to be made in electronic form only for demat account holders also.

2.2.6. This measure would encourage the investors (*who have not updated their bank account details with Depository Participants or whose bank account details are incorrect*) to update their correct bank account details in order to get any kind of payments, including dividends, directly in their bank accounts from the listed entities without causing any significant inconvenience to the investors.

### 2.3. Proposal

Accordingly, it is proposed that the following clauses may be deleted from LODR Regulations, 2015:

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<sup>1</sup> Now part of SEBI's Master Circular for RTAs dated May 07, 2024



### **Under Regulation 12**

*Provided that where it is not possible to use electronic mode of payment, 'payable-at-par' warrants or cheques maybe issued:*

*Provided further that where the amount payable as dividend exceeds one thousand and five hundred rupees, the 'payable-at-par' warrants or cheques shall be sent by speed post.*

### **Under Schedule I**

*Para 3*

*In cases where either the bank details such as Magnetic Ink Character Recognition, Indian Financial System Code, etc. that are required for making electronic payment are not available or the electronic payment instructions have failed or have been rejected by the bank, listed entity or share transfer agent shall issue 'payable-at-par' warrants/ cheques for making payments:*

*Provided that the listed entity shall mandatorily print the bank account details of the investors on such payment instruments and in cases where the bank details of investors are not available, the listed entity shall mandatorily print the address of the investor on such payment instructions.*

## **PUBLIC COMMENTS**

1. Public Comments are solicited on the aforesaid proposal with respect to allowing only electronic mode for payment of dividend or interest or redemption or repayment amounts. The comments / suggestions along with rationale should be submitted no later than **October 11, 2024**, through the following link:

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

2. In case of any technical issue in submitting your comment through web based public comments form, you may write to [consultationmirs@sebi.gov.in](mailto:consultationmirs@sebi.gov.in) with the subject: "Comments on proposed amendment to SEBI LODR Regulations, 2015 with respect to allowing only electronic mode for payment of dividend or interest or redemption or repayment amounts".

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