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CONSULTATION PAPER

MARKET INTERMEDIARIES REGULATION AND SUPERVISION DEPARTMENT

**REVIEW OF REGULATORY FRAMEWORK FOR REGISTRARS TO AN
ISSUE AND SHARE TRANSFER AGENTS**

Review of Regulatory Framework for Registrars to an Issue and Share Transfer Agents

Objective

1. This paper sets out the proposed amendments to the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 (“RTA Regulations”) by taking into account the changes in the regulatory landscape and solicits comments / views / suggestions from the public on the following amendments:

Sr.No.	Issue
Streamlining of various provisions with respect to Registrars to an Issue and Share Transfer Agents (“RTAs”)	
1	Introduction of activity-based regulations for RTAs
2	<ol style="list-style-type: none">i. Doing away with categorization of RTAsii. Introduction of common definition for RTAs in place of existing separate definition for RTI and STAiii. Net-worth requirement for RTAs
Ease of Doing Business for RTAs	
3	Inclusion of securities premium for the purpose of computation of net-worth of RTAs (Ease of Doing Business)
Risk Management	
4	Institutional Mechanism for RTAs

Background

2. RTA Regulations were notified on May 31, 1993 to lay down the regulatory framework for RTAs and to regulate the activities carried out by them like issue of securities and matters incidental thereto, transfer, transmission, redemption, etc. of securities after completion of the allotment process, and record keeping of such transfers/ transmissions. This basically meant maintaining the register of shareholders of the listed company.
3. Regulation 7(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations”) provides that a listed entity shall appoint

a share transfer agent or manage the share transfer facility in-house. Further, in the case of in-house share transfer facility, as and when the total number of holders of securities of the listed entity exceeds one lakh, the listed entity shall either register with the Board as a Category II share transfer agent or appoint Registrar to an issue and share transfer agent registered with the Board.

4. RTAs also act as Registrars to an Issue. They co-ordinate with other intermediaries like merchant bankers, banker to an issue, etc. in fulfilling various activities relating to initial public offers, follow-on public offers, rights issues, buybacks, open offers and delisting activities. RTAs came to evolve in their role and also started collecting the physical public issue applications and became collection centres. As the forms were also numbered, the basis of allotment in case of a fully subscribed issue also devolved on the RTA.
5. As the operations relate to maintaining the register of shareholders, RTAs assist listed companies in compliance related matters and processes involved in various corporate actions, manage security holder services, resolve the grievances of the security holders including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
6. Currently, the role of Registrar to an Issue ("RTI") and Share Transfer Agent ("STA") as defined under RTA Regulations is as follows:

Registrar to an Issue: Person appointed by a body corporate or any person or group of persons to carry on the following activities on its or his or their behalf:

- (i) collecting applications from investors in respect of an issue;
- (ii) keeping a proper record of applications and monies received from investors or paid to the seller of the securities; and
- (iii) assisting body corporate or person or group of persons in:
 - (a) determining the basis of allotment of securities in consultation with stock exchange;
 - (b) finalizing list of persons entitled to allotment;

- (c) processing and dispatching allotment letters, refund orders or certificates and other related documents in respect of an issue;"

Share Transfer Agent:

- (i) any person, who on behalf of any body-corporate, maintains the records of holders of securities issued by such body corporate and deals with all matters connected with the transfer and redemption of its securities;
 - (ii) a department or division, by whatever name called, of a body corporate performing the activities referred in sub-clause (i) if at any time the total number of the holders of its securities issued exceed one lakh.
7. As observed from above definitions, the role of RTAs is to carry out above activities on behalf of a body corporate or any person or group of persons as an agent of such body corporate/person(s). Thus there exists a Principal-Agent relationship between the Company and the RTA.
8. Recognising this, section 2(60) of the Companies Act, 2013, treats share transfer agents and registrars as "Officer who is in default" in respect of the issue or transfer of any shares of a company. For the activities being outsourced by the Companies to RTAs such as maintenance of shareholder records, share transfer and transmission, dividend distribution, investor grievance handling, management of AGMs and voting etc., the Companies Act lays down obligation on the companies only. Thus, even when a company outsources various functions to an RTA, the ultimate responsibility for compliance with the provisions of the Companies Act remains with the Company only considering that the RTAs function as the agent of the Company.
9. Role of RTAs as share transfer agent was critical in the past when the shares were held in physical form. However, over a period of time, the role of RTAs has changed considerably. From April 01, 2019, SEBI has discontinued transfer of securities of listed companies in physical form and thus, as a share transfer agent, role of RTAs has been limited to issuance of letter of confirmation in respect of request received for duplicate security certificates, transmission of securities, attending to investor service requests, updation of KYC of investors holding securities in physical form etc. on behalf of companies.

10. The number of securities held in physical form has been going down consistently after the introduction of dematerialization of securities. It may be mentioned that the number of physical shareholding is less than 1% of the total holding as on March 31, 2025. Role of RTAs has further reduced in view of the fact that securities are issued only in dematerialized form pursuant to the following investor service requests:

- 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;

11. Also, Ministry of Corporate Affairs vide its notification dated October 27, 2023, has mandated private companies (other than small companies) to issue securities in dematerialized form. Further, the role of RTAs in public offers is limited to the extent of finalising the basis of allotment.

12. For the purpose of creation of ISIN on Depositories and other services provided by the Depositories, the Depositories allow either the Issuer Company or the RTA to connect in accordance with Regulation 71 of SEBI (Depositories and Participant) Regulations, 2018. Thus, an Issuer Company can connect to the Depositories directly and may not require services of an RTA for this purpose.

13. It may also be noted that while various entities have taken registration from SEBI for acting as RTAs, these entities are engaging in servicing either only unlisted companies or very few listed companies which raises issue of jurisdiction considering that only listed companies come under the regulatory purview of SEBI.

14. Accordingly, in view of the above and considering the evolving role of the RTAs, it is proposed to review the regulatory framework for RTAs.

15. Issue 1: Introduction of activity-based regulation for RTAs

- 15.1 Presently, the registration for RTA is granted by SEBI to carry out various activities for the listed issuers. While SEBI registered RTAs are expected to serve listed or proposed to be listed companies, presently, there is no specific restriction on such RTAs to offer their services in respect of unlisted securities.
- 15.2 As per the data available, currently SEBI registered RTAs are providing services to around 35,000 unlisted companies as against only 4000 odd listed companies. Considering that SEBI's jurisdiction is limited to the securities which are listed or proposed to be listed on a recognised stock exchange, it is not in the jurisdiction of SEBI to oversee the activities of RTAs with respect to unlisted companies. Given this, inspections conducted by SEBI do not cover the services offered by RTA for unlisted securities.
- 15.3 While this has been followed over time, given now the influx of the unlisted companies, with the increased focus on dematerialisation across the spectrum, it is critical that the activities of the RTA that cater to its various services are demarcated across regulators and their respective obligations. In order to demarcate regulatory obligations, it is proposed to introduce activity based regulations for RTAs, wherein only the services provided by RTAs to listed companies will fall under SEBI's regulatory purview and those that pertain to unlisted companies shall be governed by the Ministry of Corporate Affairs (MCA). This will ensure that the investors in the unlisted market shall also continue to have a regulatory protection.
- 15.4 It may be mentioned that similar approach has been taken in the regulation and operations of Credit Rating Agencies/ Custodians of Securities/ Debenture Trustees, where the activities traversed more than one regulatory domain.
- 15.5 In view of the above, the following is proposed:

15.5.1 While registrations shall continue be granted by SEBI, services provided by RTAs to unlisted companies will be overseen by the MCA. MCA will continue to handle the complaints related to the investors pertaining to the unlisted securities.

15.5.2 SEBI will continue to handle any grievances/complaints (including investor complaints) related to services to listed companies.

Introduction of Separate Business Unit concept

15.5.3 RTAs who wish to provide services to both listed and unlisted companies and continue to be registered with SEBI, may provide services to unlisted companies through a Separate Business Unit (SBU).

15.5.4 The SBUs set up for the purpose shall be governed by the MCA.

15.5.5 RTAs shall ensure that activities of such SBU for providing services to unlisted companies are segregated and ring-fenced from the activities related to listed companies and arms-length relationship between these activities is maintained. Net worth criteria for RTA shall be satisfied after excluding account of the SBU.

15.5.6 Existing RTAs shall set up the SBUs within 18 months from the date of effect of these regulations.

15.5.7 As RTAs serving Mutual Fund (MF) folios cater to listed securities, they shall continue to be in the regulatory domain of SEBI. Similarly, RTAs serving Alternative Investment Funds (AIFs) shall continue to be in the regulatory domain of SEBI.

It may be mentioned that similar approach is already in practice in case of stock brokers operating in the Negotiated Dealing System-Order Matching (NDS-OM) of the Reserve Bank of India and Gujarat International Finance Tech-city – International Financial Services Centre (GIFT-IFSC).

Consultation No. 1

- ***Do you agree with the proposal of introducing activity-based regulations?***

16. Issue-2: (i) Doing away with categorization of RTAs (ii) Introduction of common definition for RTAs in place of existing separate definition for RTI and STA (iii) Net-worth requirement for RTAs

Categorization of RTA

16.1. At present, RTA Regulations recognize following categories, namely:

Category – I (Cat-I): to carry on the activities both as a registrar to an issue (“RTI”) and as a share transfer agent (“STA”);

Category – II (Cat-II): to carry on the activity either as a RTI or as a STA;

16.2. While Cat – I can do all the activities as prescribed in the RTA Regulations, Cat– II can either act as an RTI or as an STA.

Definition of RTA

16.3. Currently, The RTA Regulations define RTI and STA on the basis of the activities they can carry out as mentioned in Para 6 of this paper.

16.4. The categorization and definition of RTI and STA was stipulated primarily keeping in view that in earlier days, RTI and STA were distinguished due to the reason that share transfer activities constituted a significant business for RTAs. However, with increasing dematerialisation, and as the transfer of securities in physical form has been disallowed with effect from April 01, 2019, STAs no longer deal with transfer of securities and their primary business is processing investor service requests and providing other services such as payment of dividend, resolution of investors’ complaints etc. The services provided by a Category-II RTA may as well be provided by a Category-I RTA.

16.5. In view of the fact that the nature of services performed by RTAs have undergone a drastic change over the last 3 decades with the rapid growth and increased complexities witnessed by the securities market apart from the core responsibilities of security holder servicing and serving as a critical link with other intermediaries to facilitate various transactions, and with a view to improve investor experience and rendering of quality service to listed companies, it is proposed that only one category of RTAs may suffice to act as Registrar to an Issue as well as a Share Transfer Agent subject to

fulfilment of eligibility conditions as may be mandated by SEBI from time to time. Accordingly, this uniform category may be called as “Registrar & Transfer Agent”.

16.6. Accordingly, the following definition is proposed for Registrar & Transfer Agent:

“Registrar & Transfer Agent means an entity appointed by a body corporate or any person or group of persons, for acting as an intermediary in initial public offers, follow-on public offers, open offers, buy backs, delisting offers, takeovers etc. and to carry out the activities as specified by the Board, stock exchanges or depositories from time to time, maintain the records of holders of securities issued by such body corporate and/or deal with all matters connected with the transaction of its securities.”

Net worth for RTAs

16.7. As per Regulation 9A(1)(d) read with Regulation 7(2) of RTA Regulations, 1993, a Category-I RTA is required to maintain a minimum net worth of Rs. 50 lakh at all times and a Category-II RTA is required to maintain a minimum net worth of Rs. 25 lakh at all times.

16.8. In view of above proposals for doing away with categorization of RTAs and introducing a common definition of RTAs, it is proposed that all RTAs may be required to maintain a net worth of Rs. 50 lakh at all times.

Consultation No. 2

- ***Considering the reasons given above, whether any issue is envisaged in implementing uniform category, common definition and net-worth requirement for RTAs?***

17. Issue 3: Inclusion of securities premium for the purpose of computation of net-worth of RTAs

17.1. As per Regulation 9A(1)(d) read with Regulation 7(2) of RTA Regulations, 1993, a Category-I RTA is required to maintain a minimum net worth of

Rs. 50 lakh at all times and a Category-II RTA is required to maintain a minimum net worth of Rs. 25 lakh at all times.

- 17.2. Further, as per Regulation 7(3)(b), net-worth is defined as the value of paid up capital and the free reserves as disclosed in the books of accounts.
- 17.3. While “free reserves” is not defined in the RTA Regulations, 1993, the term is defined in the Companies Act, 2013, to mean such reserves which are available for distribution as dividend.
- 17.4. Since securities premium is not available for distribution as dividend, a strict interpretation of Regulation 7(2) of RTA Regulations, 1993 read with Section 2(43) of the Companies Act, 2013, may exclude securities premium from the definition of the net worth as provided in the RTA Regulations, 1993.
- 17.5. It may be noted that the definition of net-worth in Companies Act, 2013 includes securities premium account. However, securities premium is not included in the definition of free reserves as the same is not available for distribution as dividend.
- 17.6. Many of the SEBI Regulations pertaining to intermediaries including RTA Regulations were issued during the period when Companies Act, 1956 was in operation and the definition of net worth in those regulations, when read along with the provisions of Companies Act, 1956, included securities premium account since the definition of free reserves provided in Companies Act, 1956 included reserves created out of securities premium account. However, pursuant to enactment of the Companies Act, 2013 and the revised definition of “free reserves” provided therein, the definition of net worth in RTA Regulations, which was based on the definition of “free reserves” also inadvertently got changed, leaving securities premium out of the ambit of net worth.

17.7. In view of the same, it is proposed that securities premium as appearing in the books of RTA shall also be included for the purpose of computation of net-worth of an RTA.

Consultation No. 3

- ***Considering the reasons given above, whether the securities premium should be included for the purpose of computation of net-worth of an RTA.***

18. Issue 4: Institutional Mechanism for RTAs

18.1. Prevention/detection of fraud is a key pillar of investor protection. Considering that RTAs are in a unique position to serve the investors who hold shares in physical form, the possibility of various frauds such as unauthorized share transfer, share certificate forgery, dividend fraud and data manipulation etc. cannot be ruled out.

18.2. The RTA Regulations place responsibility on RTAs to exercise due diligence by prescribing a code of conduct, and cast a responsibility on their compliance officer to monitor legal/ regulatory compliance. However, presently there is no specific provision in the RTA Regulations laying down an institutional mechanism for RTAs to detect or prevent fraud.

18.3. In view of the above, it is proposed to implement institutional mechanism for RTAs which shall include the following:

I. Senior management oversight

a. Specific responsibility on CEO, MD or such other equivalent person of the RTA to put in place adequate and effective system of internal controls to ensure compliance with the respective provisions to prevent fraud. The board of directors or head(s) of the RTA will be responsible to ensure that the CEO/MD comply with these requirements. The Compliance Officer will be responsible to monitor the internal controls and audit committee will be responsible to review the same.

b. The Audit Committee, in case of listed RTAs or other equivalent body shall review compliance with the provisions of RTA Regulations and shall

verify that the systems for internal control are adequate and are operating effectively, at least once in a financial year.

II. Robust Surveillance Systems

- a. The RTA shall have in place robust surveillance systems and internal control procedures that are commensurate with the nature of business and the size of its operations, to detect potential fraud by promoters, employees (including senior management), directors or analogous persons.
- b. The RTA shall have in place appropriate KYC surveillance systems to determine and document the true identity of the security holders.

III. Escalation and reporting mechanisms

The RTA shall have in place properly documented escalation processes which should be appropriately implemented so as to keep senior management and Board informed of any instances of potential fraud or suspicious activities.

IV. Whistle blower policy

- a. The RTA shall establish, implement and maintain a well-documented whistle blower policy. This should make available a confidential channel for employees and other stakeholders to raise concerns about suspected fraudulent, unfair or unethical practices, violations of regulatory or legal requirements or governance weaknesses without any fear of punishment or unfair treatment. The policy should establish procedures to ensure adequate protection of whistle blowers, while acting on whistle blowing complaints.
- b. Such whistle blowing complaints may be addressed to audit committee or analogous body (in case of complaint against Board of Directors including those against MD / CEO / KMPs /Designated Directors/ Promoters) or Compliance Officer (in case of other complaints).

Consultation No. 4

- ***Whether there are any concerns in implementing institutional mechanism for RTAs?***

Submission of Public comments

19. In order to take into consideration, the views of various stakeholders, public comments are invited on the proposals at para 15-18 above. The comments / suggestions along with rationale should be submitted no later than **August 28, 2025**, through the following link:

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

20. 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: "Public comments on Review of Regulatory Framework for Registrars to an Issue and Share Transfer Agents."

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