



SEBI directs depositories to devise systems to record all types of encumbrances as per the Takeover Code

July 25, 2020

After having realized that currently there is no framework to capture the details of encumbrances in the depository system, other than for pledge, hypothecation and non-disposal undertakings (**NDUs**), SEBI has directed the depositories to 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. SEBI has also directed depositories to follow processes and other norms similar to that stipulated for the purpose of capturing and recording NDUs in depository system.

Presently, Regulation 28(3) defines the term **encumbrance** to include:

- Any restriction on the free and marketable title to shares, by whatever name called, whether executed directly or indirectly;
- Pledge, lien, negative lien, non-disposal undertaking; or
- Any covenant, transaction, condition or arrangement in the nature of encumbrance, by whatever name called, whether executed directly or indirectly.

Aforementioned directions have been issued by SEBI vide its circular dated July 24, 2020 ([available here](#)).

We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at insights@elp-in.com

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Email: Insights@elp-in.com

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