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A. CIRCULARS

1. SEBI Master Circular for Registrars to an Issue and Share Transfer Agents

The Securities and Exchange Board of India (SEBI) issued the [Master Circular for Registrars to an Issue and Share Transfer Agents \(Master Circular\)](#) on February 06, 2026. The Master Circular consolidates all applicable circulars issued from time to time relating to the Registrars to an Issue and Share Transfer Agents (RTAs). The key updates that have been highlighted in the Master Circular are summarized as follows:

- RTAs have been mandated to publish an Investor Charter that clearly outlines the services they offer, the prescribed timelines for service delivery, available grievance redressal mechanisms, and the rights of investors. In addition, RTAs are required to regularly disclose complaint statistics, service standards, and details of their grievance redressal performance on their websites. These measures have been designed to promote greater transparency, accountability, and investor awareness within the securities market ecosystem.
- In cases where securities were held by a deceased holder solely in their name and in physical form, RTAs and issuer companies are obligated, upon due verification and processing of the documents submitted for transmission, to transfer the securities directly into the demat account of the claimant(s). Such transmission must be completed within 30 days from the date of receipt of the required documents, and the claimant(s) must be duly intimated upon execution of the transfer, as applicable.
- Basis the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 2025 and the revised formula for calculating the net worth of RTAs provided therein, the RTAs are to submit a certified true copy of their net-worth certificate within three months from the close of each financial year.
- A special window from February 05, 2026 to February 04, 2027 has been provided for transfer and dematerialisation of physical securities sold or purchased prior to April 1, 2019. It applies to fresh and previously rejected cases, subject to availability of the original certificate. The securities will be credited only in demat form and will remain under a one-year lock-in from the date of transfer registration, during which no transfer, pledge, or lien is permitted.

2. SEBI Master Circular for Research Analysts

SEBI's [Master Circular for Research Analysts](#) dated February 6, 2026 consolidates and supersedes earlier circulars to provide a single, comprehensive regulatory framework governing research analysts and proxy advisers in India. It lays down detailed requirements on eligibility, certification, deposit maintenance linked to client base, fee caps for individual and HUF clients, client-level segregation between research and distribution activities, disclosure obligations, KYC and record-keeping norms, compliance audits, and use of technologies such as artificial intelligence in research services. The circular also formalizes rules for part-time research analysts, dual registration as investment advisers, model portfolio recommendations, advertisement standards, and mandatory client disclosures, with the overarching objective of strengthening investor protection, transparency, and accountability in research services.

Additionally, the circular establishes the administrative and supervisory framework through a recognized Research Analyst Administration and Supervisory Body, currently BSE Limited, and outlines mechanisms for investor grievance redressal through SCORES and online dispute resolution platforms. It introduces operational guidance on areas such as change in control approvals, outsourcing, cybersecurity, AML/KYC compliance, fee collection through a centralized mechanism, handling of unauthenticated market news, and reporting obligations. By consolidating procedural, technological, governance, and investor-protection measures into a single reference document, the Master Circular aims to enhance regulatory clarity and ensure consistent compliance standards across all SEBI-registered research analysts and related intermediaries.

3. SEBI Master Circular for issue of Capital and Disclosure Requirements, 2026

The [Master Circular for SEBI \(Issue of Capital and Disclosure Requirements\) Regulations, 2018 \(Master Circular\)](#), updated as on February 9, 2026 and issued by SEBI, consolidates all operative circulars and directions into a single reference framework governing capital raising in the Indian securities market. Issued to enhance regulatory clarity and investor protection, it streamlines compliance requirements for issuers and intermediaries involved in public issues and other securities offerings under the SEBI ICDR Regulations, 2018. Serving as a comprehensive compliance guide, the circular standardizes procedures relating to disclosures, issue processes, application mechanisms, and listing requirements, thereby promoting transparency, efficiency, and consistency across India's primary market ecosystem.

- **Enforcement for Non-Compliance:** The Master Circular strengthens enforcement mechanisms for violations of ICDR provisions. Stock exchanges must impose monetary penalties for delays in bonus issues, failure to convert convertible securities within prescribed timelines, delays in listing applications, and delays in obtaining trading approval. Fines may extend to ₹20,000 per day until compliance and are credited to the Investor Protection Fund. Exchanges must also disclose non-compliant entities and initiate enforcement action for persistent defaults. In cases of bonus issue delays, trading approval for promoters' shares may be withheld until fines are paid, though approvals for public shareholders may proceed in investor interest.
- **Streamlined Rights Issue Framework:** The Master Circular standardizes timelines and procedures for rights issues to reduce delays and uncertainty. It requires advance notice to stock exchanges before the record date, completion of the issue within 23 working days of board approval, and an issue period of 7–30 days. Rights Entitlements must be credited in dematerialized form before issue opening and will be tradable on stock exchanges with T+1 settlement. Applications are permitted only through the ASBA mechanism, and withdrawal is not allowed after closure. Bid validation and allotment are coordinated among stock exchanges, depositories, and registrars.
- **Enhanced Disclosure Standards:** To improve transparency and comparability, the Master Circular prescribes standardized formats for offer documents and abridged prospectuses. Issuers and merchant bankers must ensure disclosures are accurate and not misleading, and qualitative claims must be supported by Key Performance Indicators and quantitative data. Uniform front-page disclosures and QR codes linking to prospectus documents are required to enhance investor access and informed decision-making.
- **Technology and Investor Communication:** Digital processes are integrated into the issuance lifecycle. Offer documents must be filed through SEBI's Intermediary Portal, and public issues must include bilingual (English and Hindi) audiovisual summaries explaining key disclosures, risks, financial information, and issue terms. These measures are intended to improve accessibility and investor awareness, particularly for retail participants.
- **Investor Protection Measures:** The Master Circular introduces a uniform compensation framework for Retail Individual Investors where application failures occur due to bank-related errors, calculated using a formula linked to listing gains and probability of allotment. It also mandates Issue Summary Documents in XBRL format for IPOs, further issues, buybacks, open offers, and delistings to enable structured dissemination of issue data to market participants.
- **Payment Mechanisms: ASBA and UPI:** ASBA remains the mandatory payment mechanism for public and rights issues, requiring funds to be blocked in investor accounts until allotment. For retail investors, UPI is integrated with ASBA to improve efficiency, with strict requirements that applications be made only through the investor's own bank account or linked UPI ID. Third-party payments are prohibited, and investor details are validated in real time.

- **Issuance of NCDs with Warrants under the QIP Route:** The Circular prescribes a structured framework for issuance of non-convertible debentures (NCDs) together with warrants under the Qualified Institutions Placement (QIP) mechanism. Where the NCD component exceeds specified thresholds, issuance must be conducted through the Electronic Book Provider platform in accordance with the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021, while the warrants portion must comply with Chapter VI of the ICDR Regulations governing QIPs. At least 40% of the total issue size must comprise the warrants portion, thereby ensuring that equity-linked instruments form a substantial component of such hybrid issuances. Certain procedural requirements under the ICDR Regulations are relaxed for stapled or segregated offers, streamlining capital raising through structured instruments.
- **Innovators Growth Platform Investor Framework:** To strengthen the ecosystem for listing of new-age and high-growth companies, the Circular establishes eligibility criteria and recognition procedures for Innovators Growth Platform Investors (IGPIs). Eligible investors include individuals with at least ₹50 lakh annual income and ₹5 crore liquid net worth, and body corporates with net worth of ₹25 crore. Recognition is granted by stock exchanges or depositories for a period of three years, subject to continued eligibility, and merchant bankers are required to conduct due diligence on IGPI status at the time of listing. This framework aims to ensure that participation in the Innovators Growth Platform is limited to financially sophisticated investors capable of understanding higher-risk growth investments.
- **Standardized Timelines for Post-Issue Listing:** The Master Circular emphasizes coordinated timelines for listing and commencement of trading of securities following public issues. Merchant bankers, registrars, stock exchanges, depositories, and bankers to the issue must synchronize activities such as finalization of the basis of allotment, credit of securities to demat accounts, unblocking of ASBA funds, and completion of listing formalities. The objective is to reduce post-issue delays and enable faster access to liquidity for investors, thereby improving efficiency and confidence in the primary market process.
- **Withdrawal of NOC Requirement for Release of Issue Proceeds:** The Master Circular withdraws the earlier requirement that issuers obtain a No Objection Certificate (NOC) for release of 1% of retained issue proceeds. By eliminating this procedural step, SEBI aligns fund release mechanisms with the updated ICDR framework and reduces post-issue compliance burdens. Issuers and intermediaries can now access retained funds without additional regulatory approvals, facilitating smoother deployment of capital raised through public issues.
- **Standardization of KPI Disclosures:** Recognizing the increasing reliance on performance metrics in offer documents, the Circular introduces industry standards for disclosure of Key Performance Indicators (KPIs). KPIs must be clearly defined, consistently calculated across reporting periods, and supported by quantitative data. Merchant bankers are responsible for ensuring that such disclosures are accurate, comparable, and not misleading. This reform aims to prevent selective or exaggerated presentation of performance metrics and to improve the quality of information available to investors evaluating an issuer's business.
- **T+2 Trading of Bonus Shares:** To align corporate action processing with the shortened settlement cycle in Indian markets, the Circular enables trading of bonus shares on a T+2 basis, where T refers to the record date. Issuers, registrars, depositories, and stock exchanges must coordinate to ensure timely credit of bonus shares to investors' demat accounts. This measure accelerates liquidity for shareholders and enhances market efficiency by reducing the waiting period between entitlement and tradability of bonus shares.
- **Redemption of Indian Depository Receipts (IDRs):** The Master Circular provides operational guidelines for redemption of Indian Depository Receipts into underlying equity shares of the issuing company. It outlines the responsibilities of depositories, custodians, and intermediaries in facilitating conversion and transfer, while requiring compliance with applicable disclosure and procedural norms. The framework enhances fungibility

between IDRs and underlying shares and provides investors with a clear exit mechanism from depository receipt holdings.

- **Adjustment of Differential Pricing at Allotment:** The Master Circular clarifies the treatment of differential pricing where the final issue price differs from the application price paid by investors. Any excess or shortfall must be adjusted at the allotment stage through prescribed reconciliation mechanisms to ensure accurate settlement of investor payments. Intermediaries are required to incorporate appropriate processes within allotment and settlement systems to prevent discrepancies, thereby promoting fairness and operational consistency in price discovery outcomes.

4. SEBI Circular for Creation/Invocation of Pledge of Securities through Depository System

The [SEBI circular on the creation and invocation of pledges of securities through the depository system](#) dated February 5, 2026 introduces targeted amendments to the existing pledge framework under the SEBI Master Circular for Depositories and the Depositories and Participants Regulations, 2018 (**DP Regulations**). The circular seeks to harmonize depository procedures with the legal rights of parties under Sections 176 and 177 of the Indian Contract Act, 1872, which require a pledgee (pawnee) to provide reasonable notice to the pledger (pawnor) prior to the sale of pledged assets. To ensure this statutory compliance, SEBI has directed that depositories incorporate specific undertakings in pledge documentation affirming adherence to the Contract Act, the Depositories Act, applicable SEBI regulations, and related bye-laws.

Operationally, the circular mandates that depositories adopt a standardized Pledge Request Form capturing these undertakings from both parties and establish processes to notify both pledger and pledgee upon invocation of a pledge, with the pledgee recorded as the beneficial owner in accordance with Regulation 79(8) of the DP Regulations. Depositories are required to amend their bye-laws, implement necessary system changes, and communicate the revised requirements to participants by April 6, 2026. By embedding contractual law safeguards into the depository pledge mechanism, the circular enhances procedural transparency, legal certainty, and investor protection in transactions involving pledged dematerialized securities.

B. INFORMAL GUIDANCE

1. Informal Guidance to Punjab National Bank on compliance with Regulation 27 of the SEBI LODR Regulations

An [informal guidance dated February 6, 2026](#) was issued by SEBI to Punjab National Bank (**PNB**) on the interpretation of the provision for placement of the Quarterly Integrated Governance Report under Regulation 27 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**SEBI LODR Regulations**).

Background

PNB through an interpretive letter had sought guidance under the SEBI (Informal Guidance) Scheme, 2025 regarding compliance with Regulation 27 of the SEBI LODR Regulations and SEBI circular dated December 31, 2024, on implementation of recommendations of the Expert Committee for facilitating ease of doing business for listed entities, which requires listed entities to place the Integrated Filing (Governance) Report (**Report**) before the board of directors on quarterly basis along with an affirmation to the same at the time of filing of the Report.

The Reserve Bank of India issued the Reserve Bank of India (Commercial Banks – Governance) Directions, 2025 on November 28, 2025 (**RBI Directions**) and permitted public sector banks to delegate certain compliance matters to a committee of the board, so as to enable the board to devote greater attention to strategic issues. PNB sought clarification on whether the overseeing of the Report could be delegated to the audit committee or a similar board committee.

SEBI's Observations

SEBI clarified that the requirement under Regulation 27 of the SEBI LODR Regulations to place the Quarterly Integrated Governance Report before the board of directors is mandatory and cannot be dispensed with or substituted by review at the committee level. Even though the RBI Directions permit delegation of certain compliance-related matters to a board committee to streamline governance processes in public sector banks, such delegation does not override or dilute obligations imposed under the SEBI LODR Regulations.

SEBI's Conclusion

Accordingly, for listed public sector banks such as PNB, the Report must be formally placed before the full board on a quarterly basis, along with the requisite affirmation at the time of filing. Oversight or monitoring by the audit committee or any other board committee, while permissible under the RBI framework for internal governance purposes, cannot be treated as sufficient compliance with Regulation 27 of the SEBI LODR Regulations. The informal guidance thus reinforces the principle that compliance requirements under the SEBI LODR Regulations operate independently and must be strictly adhered to by all listed entities, including those governed by sector-specific regulators.

C. ORDERS

1. Som Distilleries & Breweries Limited V Securities and Exchange Board of India (2026)

The Securities Appellate Tribunal (**SAT**), by its order dated February 20, 2026, dismissed the appeal filed by Som Distilleries & Breweries Limited and upheld SEBI's penalty of ₹5 lakh for violations of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**LODR Regulations**). The matter arose from the company's disclosures relating to a proposed preferential issue of convertible equity warrants to raise approximately ₹100 crore for expansion. Initially, the company announced the proposal and sent out a notice to convene an Extraordinary General Meeting (**EGM**) to obtain shareholder approval for the issuance.

Subsequently, the company cancelled the EGM, citing "unforeseen and unavoidable circumstances" as the reason. However, in a later communication to the investors, it was clarified that the proposal had merely been deferred due to reduced funding requirements. SEBI held that by failing to disclose the true reason behind the cancellation of the EGM, the company provided incomplete and misleading information to the market, thereby breaching its obligations under the LODR Regulations. The regulatory concern was that the initial announcement of cancellation, without proper clarification, could give investors a misleading impression regarding the status of a significant corporate action that was material to the company's financial and strategic plans.

Affirming SEBI's action, SAT relied on Regulation 4(1) and Regulation 30 of the LODR Regulations read with Schedule III, which collectively require listed entities to provide disclosures that are adequate, accurate, timely, and not misleading, and to continuously update material developments relating to disclosed events. The SAT observed that announcements regarding major fund-raising and expansion plans are price-sensitive and must clearly communicate any subsequent change or withdrawal. By merely stating that the EGM was cancelled, while the actual reason was deferment due to lesser fund requirements, the company created a misleading impression that the proposal remained alive, violating the principles of transparency and fair dissemination of information to investors.

The decision highlights that even incomplete, ambiguous or partially accurate disclosures of material events can attract enforcement and regulatory action, regardless of whether the company or its stakeholders derived any measurable financial benefit from the misstatement. The decision reinforces SEBI's uncompromising stance on continuous disclosure obligations and the broader principle that transparency and truthful communication with investors are paramount for maintaining market integrity.

D. MISCELLANEOUS

1. Union Budget 2026-2027

Share buybacks have emerged as a significant capital distribution mechanism in India's equity markets. In an environment of elevated market valuations and strong corporate cash balances, companies have increasingly preferred buybacks over dividends as a comparatively tax-efficient means of returning surplus capital to shareholders. The Union Budget 2026-2027 introduces a fundamental shift in the taxation framework governing buybacks. Buyback proceeds will now be taxed in the hands of shareholders as capital gains, calculated as the difference between the buyback price and the shareholder's cost of acquisition.

Revised tax treatment:

- **Short-term capital gains (holding period below 12 months):** Taxed at applicable slab rates
- **Long-term capital gains (holding period beyond 12 months for listed equity, or 24 months where applicable):** Taxed at 12.5%, subject to the ₹1.25 lakh annual exemption threshold

This reform aligns buyback taxation with the broader capital gains regime applicable to market transactions, bringing greater consistency to the tax framework. Furthermore, in a move aimed at protecting minority shareholders and reducing tax arbitrage, the Budget also introduces a differentiated tax incidence for promoters participating in buybacks:

- **Corporate promoters:** Effective tax incidence of ~22%
- **Non-corporate promoters:** Effective tax incidence of ~30%

Historically, promoters could favour buybacks over dividends for tax efficiency. This reform narrows such optimisation opportunities, addresses structural asymmetries, and promotes equitable treatment between controlling and minority shareholders, while preserving buybacks as a legitimate capital allocation tool.

Securities Transaction Tax: Targeted Increase for Derivatives

Securities Transaction Tax (STT) is a statutory levy under Chapter VII (Sections 98–115) of the Finance (No. 2) Act, 2004. It is imposed on the value of taxable securities transactions executed on recognised stock exchanges in India.

STT applies to Equity shares, Derivatives, Equity-oriented mutual fund units and other notified securities. The tax is collected at source by the recognised stock exchange or mutual fund and remitted to the Central Government within prescribed timelines. Effective FY 2026–27, the Union Budget 2026 revises STT rates specifically for derivatives transactions:

- **Futures contracts:** Increased to 0.05%
- **Options contracts:** Increased to 0.15%

Importantly, equity delivery transactions and equity-oriented mutual fund transactions remain unchanged. The revision is confined exclusively to derivatives. This higher STT will increase transaction costs for traders, especially high-frequency and short-term derivatives participants, potentially influencing trading volumes and strategy economics.

We hope you have found this information useful. For any queries/clarifications please write to us at insights@elp-in.com or write to our authors:

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