

SEBI Proposes Alignment of LODR Timelines for Transfer of Unclaimed Amounts under LODR with the Companies Act

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Background

The Securities and Exchange Board of India (SEBI) has issued a consultation paper dated 24 October 2025 proposing amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations). The proposal aims to align the timelines for transferring unclaimed interest and principal amounts on listed non-convertible securities with the framework prescribed under the Companies Act, 2013 (Act) and the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (IEPF Rules).

Current Framework

Under Regulation 61A of the LODR Regulations, if any interest, dividend, or redemption amount remains unclaimed for 30 days, the issuer is required to transfer such amount to an escrow account within 7 days of the expiry of the said 30 day period. If the transferred amount continues to remain unclaimed for 7 years, it is then required to be transferred to the Investor Education and Protection Fund (IEPF) established under the Act or to the Investor Protection and Education Fund (IPEF) established by SEBI.

However, under Section 125 of the Act read with Rule 3(3) of the IEPF Rules, the transfer of unclaimed interest on debentures is mandated only after the expiry of 7 years from the date of maturity of such debentures. In other words, the Act read with IEPF Rules require the debentures to mature before mandating the issuer to transfer the unclaimed amounts.

This has created a regulatory ambiguity whereby debt-listed entities governed by the LODR Regulations are currently required to transfer unclaimed interest to IEPF after 7 years, even if the debentures are yet to mature. In contrast, other companies which have issued unlisted non-convertible debentures are only required to transfer such unclaimed amounts to IPEF after 7 years from the maturity of such debentures.

Proposed Amendment

To remove this inconsistency, SEBI has proposed to amend Regulation 61A(3) of the LODR Regulations. Under the proposed framework:

- Unclaimed amounts (principal or interest) on listed non-convertible securities shall be transferred by issuers to IEPF after 7 years from the maturity date of the instrument, in line with Section 125 of the Act read with the IEPF Rules; and
- For issuers not governed by the Act, the same timeline will apply for transfer of such unclaimed amounts to the IPEF constituted under SEBI's mandate.

This amendment would therefore align the treatment of unclaimed amounts across all issues (listed and unlisted debt) and provide a uniform and simplified process for compliance.

Comments

Over the past few years, India's regulators (including SEBI, Reserve Bank of India, and Ministry of Corporate Affairs) have increasingly focused on harmonising regulatory overlaps, improving transparency, and reducing repetitive reporting requirements for corporates. In line with the same approach, the proposed amendment is a thoughtful move that addresses the compliance gap between the LODR Regulations and the Act. The current requirement to transfer unclaimed amounts to an escrow account and monitor them for 7 years before making a final transfer to IEPF/IPEF required entities with listed debt securities, to monitor multiple escrow accounts, perform reconciliations over extended periods, and maintain parallel records, all of which increased costs and compliance complexity.

By shifting to a single transfer after seven years from maturity, SEBI's proposal simplifies the process and reduces administrative burden on issuers. From an investor perspective, the amendment also brings clarity and convenience as the investors will now have a longer window, i.e. up to 7 years after maturity, to claim their dues directly from the issuer, rather than navigating the process of claiming prematurely transferred funds from the IEPF/IPEF.

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