



COMMERCIAL/CORPORATE

SEBI Enhances Investor Protection and Accountability through LODR (Third Amendment) Regulations, 2025

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Introduction

The Securities and Exchange Board of India ("SEBI") has notified the SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2025 on 8 September 2025, introducing significant changes to the compliance framework under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations"). These amendments mark a continued effort by SEBI to enhance transparency, strengthen investor protection, and deepen accountability in the securities market, particularly in relation to corporate actions and the Social Stock Exchange framework.

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Legal Background

The LODR Regulations, 2015 consolidated a wide array of listing and disclosure obligations for listed entities, replacing earlier fragmented norms. SEBI exercises its rule-making powers under Sections 11, 11A(2) and 30 of the SEBI Act, 1992, read with Section 31 of the Securities Contracts (Regulation) Act, 1956, to regulate how companies access the securities market and meet continuing obligations. Since 2015, SEBI has periodically amended the LODR Regulations to align them with evolving business practices and investor needs.

The September 2025 amendment follows two earlier amendments this year (March and May 2025) and signals SEBI's sustained effort to strengthen both the dematerialisation regime and the Social Stock Exchange framework introduced in 2020.

Key Amendments

1. Mandatory Dematerialisation for Corporate Actions (Regulation 39)

- New Sub-Regulation (2A): Any issue of securities pursuant to a Scheme of Arrangement, subdivision, split or consolidation must now be only in dematerialised form.
- Investor Protection Measure: For investors who do not hold demat accounts, listed entities are required to open a separate demat account for such securities.
- This measure strengthens SEBI's longstanding policy of reducing physical securities, minimising risks of fraud, forgery, and loss, while ensuring smoother settlement and compliance with the Depositories Act framework.

2. Strengthened Disclosure Framework for Not-for-Profit Organisations (Regulation 91C)

- Annual Disclosures: Financial disclosures to be filed with the Social Stock Exchange by 31 October or the due date of income-tax return filing, whichever is later and Non-financial disclosures (covering qualitative and social impact parameters) to be submitted within 60 days of financial year-end.
- This amendment aligns NPO disclosure timelines with statutory tax filing requirements, ensuring greater synchronisation between financial reporting and regulatory compliance.

3. Enhanced Impact Reporting for Social Enterprises (Regulation 91E)

- Under the amended Regulation 91E, SEBI has introduced enhanced impact reporting requirements for social enterprises. The terminology has been updated to replace the word "Firm" with "Organization" for consistency. Impact assessments must now be carried out by Social Impact Assessors in respect of listed projects, while non-listed projects may be self-certified.

- In addition, annual impact reports are required to demonstrate that at least two-thirds (67%) of the programme expenditure in the preceding financial year resulted in measurable social impact. Social enterprises registered on a Social Stock Exchange but not raising funds are still required to submit self-certified annual impact reports. Further, Not-for-Profit Organisations registered on a Social Stock Exchange but failing to raise funds must, within two years of registration, have at least one listed project; otherwise, their registration will lapse.
- These provisions tighten accountability for entities accessing the Social Stock Exchange, ensuring that registration is tied to genuine fundraising and measurable outcomes, while discouraging passive or non-compliant registration.

4. Omission of Certain Provisos in Schedule VII

- Specific provisos under Clause B of Schedule VII have been omitted, simplifying disclosure requirements and removing exceptions that previously diluted compliance obligations.
- The removal of carve-outs reflects SEBI's intent to ensure uniform disclosure standards without exemptions that could undermine transparency.

Broader Context

These amendments must be viewed against SEBI's broader regulatory trajectory:

- **Dematerialisation Push:** Since 2018, SEBI has progressively mandated dematerialisation of securities to eliminate paper-based risks. The present amendment closes residual gaps relating to corporate actions.
- **Social Stock Exchange Evolution:** Introduced in 2020 and operationalised in 2022, the Social Stock Exchange framework aims to mobilise capital for social enterprises. The 2025 amendments reflect SEBI's response to practical challenges, particularly, the need to ensure active fundraising, credible impact measurement, and avoidance of dormant registrations.

Conclusion

The Third Amendment Regulations, 2025 significantly strengthen the compliance framework under the LODR Regulations. Listed entities must ensure strict adherence to the dematerialisation mandate, while NPOs and social enterprises operating on Social Stock Exchanges must recalibrate their disclosure practices, impact assessment mechanisms, and fundraising strategies.

For market participants, these amendments reflect SEBI's clear focus on investor protection, transparency, and accountability. Entities should strengthen their compliance frameworks, work closely with depositories and impact assessors, and revisit project structures to ensure full alignment with the enhanced regulatory requirements.

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