

CIRCULAR

HO/47/14/12(1)2026-MRD-POD2/I/4229/2026

February 5, 2026

To

All Depositories

Madam/Sir,

Subject: Creation/Invocation of pledge of securities through depository system

1. The framework for pledging of shares through the depository system is prescribed in paragraph 4.13 of the SEBI Master Circular for Depositories dated December 03, 2024 ('**Master Circular**') *read with* Regulation 79 of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 ('**DP Regulations**').
2. In terms of the said framework, the Depositories are, *inter alia*, required to make provisions in their respective bye-laws to provide for the manner of creating and invoking a pledge in accordance with Section 12 of the Depositories Act, 1996 and the DP Regulations.
3. Further, Sections 176 and 177 of the Indian Contract Act, 1872 lay down the rights of the pawnor and pawnee, respectively, and, *inter alia*, require the pawnee to give a reasonable notice of sale to the pawnor prior to selling the pledged assets.
4. In this regard, in order to ensure compliance with the provisions of Sections 176 and 177 of the Indian Contract Act, 1872 in the framework for pledge of securities through Depositories, the following paragraphs shall be inserted after paragraph 4.13.2 in the Master Circular:

“4.13.3. The Pledge Request Forms of the depositories shall, inter alia, make provision for the pledger and pledgee to undertake the following:

4.13.3.1 The pledgee undertakes to provide reasonable notice to the pledger and comply with the requirements of Sections 176 and 177 of the Indian Contract Act, 1872.

4.13.3.2 The pledger and pledgee undertake to abide with the provisions of the Indian Contract Act, 1872, the Depositories Act, SEBI Regulations, circulars, and bye-laws in force from time to time, as may be applicable.

4.13.4. The Depositories shall maintain a standardized format of the Pledge Request Form.

4.13.5. At the time of invocation of pledge, the Depositories shall send an intimation/notification to both pledger and pledgee confirming that the pledge has been invoked and the pledgee has been recorded as “beneficial owner” in terms of Regulation 79(8) of the DP Regulations.”

5. The Depositories are advised to:

5.1. make necessary amendments to relevant bye-laws and rules, for the implementation of this circular;

5.2. carry out system changes, if any, for the implementation of this circular; and

5.3. bring the provisions of this circular to the notice of their participants and also to disseminate the same on their websites.

6. The provisions of this circular shall be implemented on or before April 6, 2026.

7. This circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Section 26(3) of the Depositories Act, 1996 and Regulation 97 and Regulation 79 of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 to protect the interest of investors in securities and to promote development of, and to regulate securities market.
8. This circular is available on SEBI website at www.sebi.gov.in at "Legal Framework - Circulars."
9. The circular has been issued with the approval of the competent authority.

Yours faithfully,

Sanjay Singh Bhati
Deputy General Manager
Tel. No. 022-26449222
Email: ssbhati@sebi.gov.in