

CONSULTATION PAPER ON MODIFIED NORMS FOR NOMINATION IN DEMAT ACCOUNTS AND MUTUAL FUND FOLIOS

1. Objective:

This Consultation Paper seeks comments / suggestions from the public to modify the circular on 'Revise and revamp Nomination Facilities in the Indian Securities Market' ("Circular") dated [January 10, 2025](#), in order to enhance the ease of investor on-boarding and ease the nomination process by aligning with the banking norms on nomination.

2. Background:

SEBI issued the circular on [January 10, 2025](#) for demat accounts and MF folios, w.e.f. March 01, 2025. To address certain operational challenges, the implementation of certain provisions of the circular were deferred vide [circular dated December 11, 2025](#).

Pursuant to deliberations with the industry and stakeholders, it has been decided to modify the norms for nomination in demat accounts and mutual fund folios in order to enhance the ease of investor on-boarding and ease of nomination.

3. Proposal:

Accordingly, to address the operational concerns in implementing the aforesaid circular and to simplify the nomination process, in order to encourage the same, this consultation paper seeks comments from the public for making the following changes, as under:

Proposal 1:

The January 10, 2025 circular provided facility to the investors to empower nominee to operate their account / folio in case of incapacitation of the former, but still has the capacity to contract. Industry has represented that implementation of this facility is challenging due to high implementation costs and the difficulty in maintaining audit trails.

Furthermore, if implemented this facility poses significant risks of fraud, misuse of account, and future legal disputes. Conventionally, a nominee becomes trustee of the assets only upon the demise of the investor and therefore can have no power over the assets while the investor is alive. Therefore, a nominee coming to the fore even when the investor is alive, causes confusion.

In view of the foregoing, it is proposed that the existing mechanism of Power of Attorney, may also be used in situations where investor is incapacitated, but still has the capacity to contract.

Public comments are invited for the following:

Proposal 1: *Whether you agree that the existing mechanism of operation of investor's account / folio by a person holding a Power of Attorney, is sufficient to address the problem when the investor is incapacitated?*

Proposal 2:

The circular prescribed mandatory furnishing of details of the nominee(s), like 1) name, 2) % share of nominee, 3) relationship with investors, 4) address, 5) Mobile, 6) E-mail and 7) personal identifier.

Feedback was received from the industry that the process of furnishing so many details of the nominee is onerous for investors and as a result many investors are dropping off, on-boarding.

Accordingly, to simplify the process, it is proposed that only name and nature of relationship will be mandatory details sought and all remaining details shall be optional for the investor to provide.

Unlike in banking, the percentage share of each nominee is proposed to be kept optional for the investor to fill up. Where percentage shares are not specified the assets in the account/ folio shall be apportioned among the nominees equally.

Accordingly, to ease the on-boarding process, the following is placed for public comments:

Proposal 2: *Whether you agree that only the*

- i. name and*
 - ii. nature of relationship of nominee with the investor*
- should be the sought as mandatory details for nomination?*

Further, contact details of nominee like address, mobile number, e-mail address, personal identifier and % share of the nominee should be made optional?

Proposal 3:

Under Phase III of the January 10, 2025 circular, the method for opt-out of nomination was to be through OTP and submission of declaration either by way of a physical form with wet signature to be submitted at the office of the regulated entity or by video recording.

Representations from the industry suggests concerns in setting-up of mechanism for video based opt-out as onerous, including issues in storing and sharing of opt-out videos. These challenges could also potentially hamper the investor on-boarding experience.

Accordingly, it is proposed that the in order to simplify the process of on boarding, the default choice for the investor shall be to opt-in for nomination at the time of opening of a new account.

Any investor not wanting to nominate shall be specifically required to choose 'opt-out' of nomination. Upon choosing opt-out, a pop-up message on benefits of nomination and declaration for opt-out shall be displayed. The investor shall be required to provide consent in this pop-up message to opt-out from nomination.

For existing accounts where no nomination / opt-out is provided and new accounts with opt-out option, the regulated entities shall regularly send messages to such investors by way of emails and SMS, encouraging them to provide nomination and also cause to display pop-up messages on benefits of nomination on the web / mobile application / platform, when the investor logs into her account / folio.

Hence, the below proposal is placed for public comments to ease the on-boarding process as well as prevent the creation of unclaimed assets:

Proposal 3: *Whether you agree that providing nomination should be the default mode while opening a demat account / MF folio and investors who do not wish to nominate will have to specifically choose opt-out and consent to the pop-up message displayed?*

Proposal 4:

The January 10, 2025, circular increased the maximum number of nominees from 3 to 10.

In view of representations received from the industry participants, a review was undertaken for ascertaining the nomination status across accounts opened month-wise during the calendar year 2025. The following table from sample data illustrates that a very low percentage of investors have opted for 3 nominees.



Table 1: Table on sample data illustrating the nomination status across demat accounts opened month-wise during the year 2025:

Month		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec*
No. of Nominees	1	28.3%	24.8%	24.5%	23.2%	23.0%	21.3%	21.5%	20.7%	21.2%	22.2%	17.2%	17.6%
	2	0.8%	0.7%	0.7%	0.7%	0.6%	0.4%	0.4%	0.3%	0.3%	0.4%	0.3%	0.3%
	3	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
	Total	29.3%	25.7%	25.3%	24.1%	23.7%	21.7%	22.0%	21.1%	21.6%	22.6%	17.5%	17.9%
Nominee Opted out		70.7%	74.3%	74.7%	75.9%	76.3%	78.3%	78.0%	78.9%	78.4%	77.4%	82.5%	82.1%

* Nomination details for the month of December 2025 is as of December 26, 2025.

Increasing the nominees to 10 may create a strain on the system leading to operational issues.

As regards, banking, depositors can now provide up to 4 nominees. To align with above, it is proposed that the maximum number of nominees may be increased to 4 for demat account and mutual fund folios.

However, the maximum number of joint holders in the demat account/ mutual fund folios shall continue to remain 3. Accordingly, in the case of multiple nominees, upon the demise of the investor, the nominees may either continue in the same account or separate account, subject to a condition that the maximum number of joint holders in such account(s)/ folio(s) shall not exceed 3.

Proposal 4: Whether you agree that the maximum number of nominees in demat account / MF folio shall be 4?

As norms for Transmission in securities market are being comprehensively reviewed for further simplification, the references to transmission in the circular of January 10, 2025 have been removed in the proposed circular on nomination, so as to facilitate its incorporation in the former.

The draft circular on Modified Norms for Nomination in Demat Accounts and Mutual Fund Folios after incorporating the aforesaid changes is placed alongside this Consultation Paper for public comments. You may submit your comments/suggestions on proposal by April 7, 2026, by using the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

In case of any technical issue in submitting your comment through web based public comments form, you may write to iad@sebi.gov.in with the subject: "Modified norms for Nomination in Demat accounts and Mutual Fund Folios"

Issued on: March 17, 2026



CIRCULAR

SEBI/HO/OIAE/OIAE_IAD-3/P/CIR/2026/xxxx

XXXX XX, 202X

To,

1. **Asset Management Companies (AMCs) of Mutual Funds (MFs) and their Registrars to an issue and share Transfer Agents (RTAs)**
2. **Recognized Depositories**
3. **Registered Depository Participants**

Dear Sir / Madam,

Subject: Ease of doing investments - Modified Norms for Nomination in Demat Accounts and Mutual Fund Folios

1. SEBI had issued the the circular on 'Revise and revamp Nomination Facilities in the Indian Securities Market' ("Circular") dated [January 10, 2025](#), for demat accounts and mutual fund folios, w.e.f. March 01, 2025, in order to enhance the ease of investor on-boarding and the nomination process with the objective of preventing the generation of unclaimed assets.
2. The implementation of the following features of the said circular faced operational challenges:
 - a. Nominee to act on behalf of incapacitated investors
 - b. The details of nominee(s) to be provided
 - c. Video-based opt-out of nomination
 - d. Number of nominees increased from 3 to 10
3. Accordingly, based on representations received from stakeholders it has been decided to modify the norms for nomination in demat accounts and mutual fund folios to enhance the ease of investor on-boarding and ease the nomination process as under:

Modified Norms on Nomination to be implemented by regulated entities for Demat Accounts and Mutual Fund Folios:

4. Default choice of nomination:

- 4.1. For all single accounts / folios opened on or after xxx, the default choice for the investor shall be to provide nomination.
- 4.2. Nomination will be optional for jointly held demat account / folios.
- 4.3. The consent of all the joint-holders shall be required for providing or changing nominee.

5. Number of nominees:

- 5.1. Investors can provide up to 4 nominees.
- 5.2. In case of multiple nominees, upon the demise of the investor, the nominees may either continue in the same account / folio or open separate account / folio, for their respective holding. However, the maximum number of joint holders in the demat account and mutual fund folios shall continue to be 3.

6. Mode of providing Nomination:

- 6.1. The regulated entities shall make the nomination form available to the investors as per the format provided in **Annexure A**.
- 6.2. The investors shall have the option to submit the nomination either online or offline:

For Online nomination

Regulated entities offering on-line mode for nomination shall provide the facility as per the formats in **Annexure A**. Validation shall be through:

- Digital Signature Certificate or
- Aadhaar-based e-sign or by using any other e-sign facility recognized under Information Technology Act, 2000; or
- Two factor authentication (2FA) in which one of the factors shall be a One-Time Password sent to the registered mobile number and email address of the investor.

For physical / offline nomination:

The nomination form shall be signed under wet signature of the account / folio holder and signature of witness shall not be required. However, if the

account / folio holder affixes his / her thumb impression (instead of wet signature), then the same shall be witnessed by two persons and details of such witnesses shall be duly captured in the nomination form.

7. Information to be captured in nomination form:

- a. **Mandatory information:** Name of nominee and the nature of relationship of the nominee with the investor. Date of birth, in case the nominee is a minor.
- b. **Optional information:** contact details of nominee like address, mobile number, e-mail address, percentage share of each nominee, KYC of the nominee and details of the guardian, if the nominee(s) is / are minor/s.

Where the percentage share of each nominee is not specified, the assets in the account / folio shall be apportioned among the nominees equally.

8. Opt-out of nomination:

Investors opening single account may opt-out of nomination by:

- a) Filling up the declaration form for 'opt-out' as per format provided in **Annexure B**; or
- b) Choosing the 'opt-out' option online; the regulated entity shall cause to display the declaration message in **Annexure B**. The investor shall have to agree by choosing this option to proceed ahead, without nomination.

9. Changes or cancellation of nomination:

- 9.1. Investors can provide, changes or cancel nominations any number of times.
- 9.2. The forms in **Annexure A & B** would also be applicable for any subsequent change / cancellation of nomination and also for existing investors.
- 9.3. Regulated entities shall provide acknowledgement to the investor for each and every instance of nomination / subsequent change.

10. Obligations of the regulated entities:

- 10.1. In the periodic statement of account / holding statement furnished to the investor, the regulated entity shall print, either;
 - a) name(s) of the nominee(s) or
 - b) Yes / No - whether or not nomination has been made by the investor



as per the choice exercised by investor in the nomination form.

10.2. For existing and newly opened accounts / folios, without nomination (including opt-outs), the regulated entity shall:

- a. Send monthly messages to such investors by way of emails and SMS, nudging and guiding them to provide nomination
- b. Cause to display of pop-up message on the benefits of nomination, on the web / mobile application / platform, when the investor logs into her account / folio.

11. Power of Attorney (POA) holder of the investor cannot nominate.

12. The nominees(s) shall receive the assets as trustee on behalf of legal heir(s) of deceased investor, thereby effecting due discharge of concerned regulated entity.

13. Legal heir(s) of nominee shall not be eligible to inherit the assets of the investor, if the nominee predeceases the investor.

14. The foregoing clauses shall be applicable *mutatis-mutandis* for existing accounts and folios also.

15. Regulated entities shall cause to implement / upgrade their systems to provide facilities to the investors as per this circular.

16. This circular shall come into effect from xx xx, 20xx.

17. Depositories are advised to take steps to make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of this circular.

18. This circular shall be in supersession of all earlier circulars issued by SEBI with respect to nomination for demat accounts and mutual fund folios.

19. This circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market. This circular is issued with the approval of the competent authority.



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

20. This Circular is available on SEBI website at www.sebi.gov.in under the categories "Legal → Circulars".

Yours faithfully,

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Annexure-A

Format for providing Nomination for Demat Account and MF Folios

Mandatory Details

1. I / We wish to make nomination [as per details given below]

(You can nominate upto 4 persons)

	Details	1st Nominee	2nd Nominee	3rd Nominee	4th Nominee
1	Name of the nominee*				
2	Relationship With the Applicant				

*Date of Birth to be provided in case of nominee is minor

2. I want the following nomination details to be printed in the account / holding statements (tick one of the box below):

☐ Name of the Nominee(s)

☐ Whether nomination given: Yes / No (not name of the nominee)

3. **Optional details of nomination:**

		1st Nominee	2nd Nominee	3rd Nominee	4th Nominee
a)	% Share of nominee** (equal share if % is not specified)				
b)	Address of Nominee*** Including: 1. City 2. State 3. Country 4. PIN Code				
c)	Mobile of nominee***				
d)	Email ID of nominee***				
e)	• Any acceptable documents for Proof of Identity, OR • Demat Account number of the Nominee***				

**Any odd lot after division shall be transferred to the first nominee mentioned in the form.

*** The aforesaid details shall be optionally provided for the Guardian, in case of nominee is a minor.



4. Signature:

Name(s) of holder(s)	Signature(s) of holder****
Sole / First Holder (Mr./Ms.)	
Second Holder (Mr./Ms.)	
Third Holder (Mr./Ms.)	

****If nomination is submitted:

- **Online:** validate through Digital Signature Certificate or Aadhaar-based e-sign or by using any other e-sign facility recognized under Information Technology Act, 2000 or two factor authentication (2FA) in which one of the factors shall be a One-Time Password sent to the registered mobile number and email address.
- **Physical / offline:** wet signature (signature of witness shall not be required). However, if thumb impression (instead of wet signature) is affixed, then the same shall be witnessed by two persons and details of such witnesses shall be duly provided in this form.

Note:

- The signature of all the joint holders shall be obtained for providing / changing nomination.
- This nomination shall supersede any prior nomination made by the investor(s), if any.
- Investors can change nomination any number of times.
- Investor have the right to receive acknowledgement of the nomination form for each instance of nomination / subsequent change.



Annexure-B

Declaration for Opting-out of Nomination

I hereby confirm that I do not wish to appoint any nominee(s) to my demat account / mutual fund folio at this point of time.

I understand that –

- (i) the nomination helps to quickly identify the person for transfer of securities and helps in faster and smoother transmission of my securities to my legal heir(s) after my demise.
- (ii) in the absence of a nomination, my legal heir(s) may require the submission of certain additional legal or court-issued documents which may delay the process of transmission of securities to my legal heir(s).
- (iii) if no claim is made on the account / folio for a prolonged period after my demise, the holdings may be treated as unclaimed assets and they may be transferred to Investor Education and protection Fund Authority (IEPF) in accordance with the applicable regulatory framework.

I confirm that I have understood the above implications and that my decision to opt out of nomination is voluntary.

Name and Signature of Holder
