



Consultation Paper for Public Comments: Re-introduction of Open Market Buy-Back of Shares or Other Specified Securities through Stock Exchange

1. Objective

1.1. The objective of this consultation paper is to seek comments / views / suggestions from the public and other stakeholders on the proposal to re-introduce open market buy-back of shares or other specified securities through stock exchange as an additional method under SEBI (Buy-Back of Securities) Regulations, 2018.

2. Background

2.1. The provisions related to buy-back of shares or other specified securities by companies are primarily governed by section 68 of the Companies Act, 2013 read with the Companies (Share Capital and Debentures) Rules, 2014. The said provisions, inter-alia, permit a company to purchase its own shares or other specified securities, subject to the prescribed conditions including limits on size, procedural requirements etc.

2.2. Further, sub-clause (f) of clause (2) of section 68 of the Companies Act, 2013 states that the buy-back of shares or other specified securities listed on any recognized stock exchange shall be in accordance with the regulations framed by the Securities and Exchange Board of India (SEBI) in this regard.

2.3. Accordingly, in addition to the provisions of the Companies Act, 2013, the buy-back of shares or other specified securities by listed companies are governed by the SEBI (Buy-Back of Securities) Regulations, 2018, ("Buy-Back Regulations") which inter-alia, prescribes the conditions and requirements for undertaking buy-back of shares or other specified securities.

3. Methods for Buy-Back of Shares or Other Specified Securities

3.1. In terms of Regulation 4(iv) of Buy-Back Regulations, a company may buy-back its shares or other specified securities by any one of the following methods (*extract of existing Regulation 4(iv) of Buy-Back Regulations is placed at 'Annexure-I'*):



- 3.1.1. From the existing shareholders or other specified securities holders on a proportionate basis through tender offer;
- 3.1.2. From the open market through-
 - a) Book-building process,
 - b) Stock Exchange.

4. Discontinuation of Buy-Back from Open Market through Stock Exchange-

4.1. The open market method for buy-back of shares or other specified securities through the stock exchange mechanism was discontinued with effect from April 01, 2025, pursuant to the amendments made to the Buy-Back Regulations. The said method had concerns with respect to equitable treatment of shareholders, implications arising from then prevailing taxation framework etc. The major concerns were as follows:

4.1.1. Under the method open market through stock exchange, there existed a possibility that the entire purchase order of the company could get matched with the sale order placed by one or very few shareholders. There is also a possibility that another shareholder who specifically wanted to participate in the buy-back could remain deprived of such opportunity. This was viewed as contrary to the principle of equitable treatment of shareholders, as acceptance was a matter of chance due to the price-time order matching mechanism rather than a deliberate and equitable process.

4.1.2. Another major concern relating to buy-back pertained to the treatment of taxation. At that time, taxation of buy-back was governed by section 115QA of the Income Tax Act, 1961 which required the company to pay buy-back tax, with no tax liabilities in the hands of shareholders on gains made by successful participants. While some shareholders could offload their entire shareholding through matching orders without paying tax, others who wanted to participate but whose offers did not match remained deprived of tax exemptions, rendering the buy-back from open market through stock exchange inequitable from a taxation perspective.



4.2. In view of the above concerns, the board had approved the amendments to Buy-Back Regulations and accordingly a glide path, as under, was introduced to phase out the method of buy-back of shares or other specified securities from open market through stock exchange:

Parameter	Till March 31, 2023	w.e.f. April 01, 2023	w.e.f. April 01, 2024	w.e.f. April 01, 2025
Maximum limit	15%	10%	5%	0
Time period for completion	6 months	66 working days	22 working days	NA

4.3. Accordingly, buy-back of shares or other specified securities from open market through stock exchange was completely discontinued with effect from April 1, 2025.

5. Separate Window for Buy-Back from Open Market through Stock Exchange

5.1. While approving the phased discontinuation of buy-back of shares or other specified securities from open market through stock exchange, the Board had, in terms of Regulation 16(i) of the Buy-Back Regulations, envisaged that the concerned stock exchange shall provide a separate window for execution of buy-back during the specified period till March 31, 2025. The said window was intended to facilitate implementation of buy-back from open market through stock exchange during the transitional phase.

5.2. Other requirements applicable to buy-back of shares or other specified securities from open market through stock exchange as per Buy-Back Regulations are as follows:

5.2.1. The buy-back of the shares or other specified securities through the stock exchange shall not be made from the promoters or persons in control of the company;

5.2.2. The buy-back of shares or other specified securities shall be made only through the order matching mechanism except 'all or none' order matching system;

5.2.3. The buy-back through stock exchanges shall be undertaken only in respect of frequently traded shares;



5.2.4. The buy-back through stock exchanges shall be subject to the restrictions on placement of bids, price and volume as specified by the Board. In this regard, the Board vide circular dated March 08, 2023, specified the following:

5.2.4.1. The company shall not purchase more than twenty-five percent of the average daily trading volume (in value terms) of its shares or other specified securities computed over the ten trading days preceding the day on which such purchases are to be made;

5.2.4.2. The Company shall not place bids in the pre-open market, first thirty minutes and the last thirty minutes of the regular trading session;

5.2.4.3. The company's purchase order price shall be within the range of plus or minus one percent from the last traded price.

5.2.5. Public announcement and disclosures: The company is required to make comprehensive disclosures, public announcement for the buy-back, filing of copy of the public announcement with SEBI and the stock exchange(s), and dissemination of public announcement, ensuring transparency and adequate notice to shareholders regarding the buy-back through the separate window.

5.2.6. Opening of Escrow Account: Regulation 20 of the Buy-Back Regulations provides for the requirements and conditions relating to the opening of Escrow Account in respect of the buy-back of shares or other specified securities undertaken from open market through stock exchange method.

6. Taxation Framework for Buy-Back of Shares or Other Specified Securities

6.1. Subsequent to the aforesaid regulatory changes to the Buy-Back Regulations, the taxation framework governing buy-back has undergone significant evolution. From October 01, 2024, the Finance Bill, 2024 shifted the buy-back taxation from company to the shareholders. The entire buy-back consideration received by the shareholders was treated as 'deemed dividend' and taxed in the hands of the shareholders as per the applicable tax rates. Further, the cost of acquisition of the shares bought back was treated as capital loss by the shareholders.



6.2. Subsequently, the Income Tax Act, 2025 as amended by the Finance Act, 2026 (hereinafter referred to as "Income Tax Act"), has rationalized the taxation of buy-back proceeds, effective from April 1, 2026. As per the change in taxation framework, buy-back consideration will now be taxable under the head "Capital Gains" in the hands of the shareholders.

6.3. The Finance Act, 2026 also introduces an additional tax component in respect of promoter shareholders, with a view to minimize any potential tax arbitrage between buy-back and dividend distribution. In case of listed Companies, the differential treatment for promoter shareholders provided in the Finance Act, 2026, is as follows:

Shareholder Category	Tax Treatment
Shareholders other than Promoters	Capital Gains Tax at rates as specified in the Income Tax Act
Promoter Shareholders Domestic Companies	Capital Gains Tax (LTCG -12.5% / STCG-20%) + Additional Tax (for LTCG - 9.5% / for STCG - 2%)
Promoter Shareholders - Other than Domestic Companies	Capital Gains Tax (LTCG - 12.5% / STCG - 20%) + Additional Tax (for LTCG - 17.5% / for STCG - 10%)

6.4. The promoter shareholders are also required to pay surcharge at the rate of 12% on additional tax in accordance with section 3(6) of the Finance Act, 2026. This surcharge is not applicable to non-promoter shareholders. This has been clarified by the Income Tax Department on their official 'X' handle on March 26, 2026.

7. Representation Received from Stakeholders for Re-Introduction of Buy-Back from Open Market through Stock Exchange

7.1. Industry associations, including the Federation of Indian Chambers of Commerce and Industry (FICCI), have made representations, requesting reinstatement of the method of buy-back of shares or other specified securities from open market through stock



exchange. FICCI has highlighted that buy-back from open market through stock exchange is an efficient and internationally preferred mechanism for buy-back of shares or other specified securities and can be re-introduced to be implemented through a separate window at the stock exchanges.

7.2. The Association of Investment Bankers of India (AIBI) has also submitted that reinstatement of the method of buy-back from open market through stock exchange would allow companies to steadily absorb surplus selling pressure over a continuous period of time, prevent panic selling and restore confidence among retail shareholders. It has been stated that buying back from the market at current prices is an efficient option to deploy surplus cash and extinguishment of shares purchased at lower market valuations boosts earnings per share, delivering long term value creation. AIBI has further submitted that, concerns relating to tax deprivation are also no longer relevant under the current tax framework.

8. Re-Introduction of Buy-Back from Open Market through Stock Exchange

8.1. In light of the amendments in the taxation framework introduced by the Income Tax Act, the then concerns for the discontinuation of buy-back of shares or other specified securities from open market through stock exchange, i.e. tax-induced inequity among public shareholders, now stands addressed.

8.2. Under the new buy-back taxation framework (i.e. Capital Gain), public shareholders would be taxed on their actual capital gains when the shares are tendered in buy-back, which would be similar to selling the shares in the normal course on the stock exchange. Consequently, the differential tax advantage that existed earlier between shareholders who were able to participate in the buy-back and those who were not, would not exist any longer.

8.3. Further, buy-back from open market through stock exchange is undertaken within an order-driven market mechanism wherein the execution of orders is determined by price-time matching and all public shareholders have equal opportunity to participate



in the buy-back under uniform conditions. Further, shifting of tax burden from the Company undertaking buy-back to the public shareholders participating in buy-back, has made selling in normal market equal to selling in buy-back through stock exchange. Further, the open market buy-back method through stock exchange is also a widely adopted method in international jurisdictions which facilitates continuous price discovery and enhances liquidity.

8.4. Accordingly, buy-back of shares or specified securities from open market through stock exchange may be re-introduced, subject to appropriate regulatory provisions and compliance mechanism. The re-introduction of this method of buy-back would provide companies with an additional mechanism for undertaking buy-back, while ensuring equitable opportunity and treatment of taxation for public shareholders.

8.5. The buy-back of shares or other specified securities from open market through stock exchange may, inter alia, be undertaken through a separate buy-back window on the stock exchanges, as is already provided in the Buy-Back Regulations. The relevant extract of existing Buy-Back Regulations w.r.t open market through stock exchange is placed at '**Annexure-II**'.

9. Proposal

9.1. It is proposed that the buy-back of shares or other specified securities from open market through stock exchange may be re-introduced as an additional method in terms of Regulation 4(iv) of Buy-Back Regulations. The existing framework as provided in Regulations and Circulars issued thereunder with respect to buy-back from open market through stock exchange would be applicable.

10. Question for public comments

10.1. Do you agree with the proposal to re-introduce the buy-back of shares or other specified securities from open market through stock exchange in accordance with SEBI (Buy-Back of Securities) Regulations, 2018?



11. You may submit your comments/suggestions on aforesaid proposal by April 23, 2026, by using the following link:

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

12. In case of any technical issue in submitting your comments through the web based public comments form, you may send the public comments on the email consultationcf@sebi.gov.in with subject: ***'Re-introduction of Open Market Buy-Back of Shares or Other Specified Securities through Stock Exchange'***

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Extract of Regulation 4(iv) of Buy-Back Regulations

Conditions and requirements for buy-back of shares and specified securities

4. (i) ...

(ii) ...

(ii) ...

(iv) *A company may buy-back its shares or other specified securities by any one of the following methods:*

a) *from the existing shareholders or other specified securities holders on a proportionate basis through the tender offer*

Provided that in case any member of the promoter / promoter group has declared its intention to not participate in the buy-back, the shares held by such member of the promoter / promoter group shall not be considered for computing the entitlement ratio.

b) *from the open market through—*

i) *book-building process,*

ii) *stock exchange;*

Provided that the buy-back from the open market through stock exchanges, based on the standalone or consolidated financial statements of the company, whichever sets out a lower amount, shall be less than: —

(i) *fifteen per cent of the paid up capital and free reserves of the company till March 31, 2023;*

(ii) *ten per cent of the paid up capital and free reserves of the company till March 31, 2024;*

(iii) *five per cent of the paid up capital and free reserves of the company till March 31, 2025:*

Provided further that buy-back from the open market through the stock exchange shall not be allowed with effect from April 1, 2025.



Annexure - II

Extract of Chapter IV: Buy-Back from the Open Market

13. A company intending to buy-back its shares or other specified securities from the open market shall do so in accordance with the provisions of this Chapter.
14. The buy-back of shares or other specified securities from the open market may be in anyone of the following methods:
- (a) through stock exchange,
 - (b) book-building process.
15. (i) The company shall ensure that atleast seventy-five percent of the amount earmarked for buy-back, as specified in the resolution of the board of directors or the special resolution, as the case may be, is utilized for buying-back shares or other specified securities.
- (ii) The company shall ensure that at a minimum of forty per cent of the amount earmarked for the buy-back, as specified in the resolution of the Board of Directors or the special resolution, as the case may be, is utilized within the initial half of the specified duration.

Buy-Back through Stock Exchange

16. (i) The buy-back shall be made only on stock exchanges having nationwide trading terminals;
- Explanation: For the purpose of buy-back through stock exchange, a separate window shall be created by the concerned stock exchange and such window shall remain open for the period specified in these regulations.*
- (ii) The buy-back of the shares or other specified securities through the stock exchange shall not be made from the promoters or persons in control of the company;
- (iii) The buy-back of shares or other specified securities shall be made only through the order matching mechanism except 'all or none' order matching system;
- (iv) Disclosures, filing requirements and timelines of public announcement:



- a) *The company shall appoint a merchant banker and make a public announcement as referred to in regulation 7 pertaining to tender offer;*
- b) *The public announcement shall be made within two working days from the date of passing the board of directors resolution or date of declaration of results of the postal ballot for special resolution, as relevant and shall contain disclosures as specified in Schedule IV;*
- c) *The company shall, simultaneously with the public announcement made in terms of sub-clause (a), along with the fees specified in Schedule V, file a copy of the public announcement in electronic mode with the Board and the stock exchanges on which its shares or other specified securities are listed;*
- (ca) *The stock exchanges shall forthwith disseminate the public announcement to the public;*
- (cb) *A copy of the public announcement shall be placed on the respective websites of the stock exchange(s), merchant banker and the company;*
- d) *The public announcement shall also contain disclosures regarding details of the brokers and stock exchanges through which the buy-back of shares or other specified securities would be made;*

Explanation: In case of the buy-back from open market, no draft letter of offer/ letter of offer is required to be filed with the Board.

- (v) *The buy-back through stock exchanges shall be undertaken only in respect of frequently traded shares;*
- (vi) *The buy-back through stock exchanges shall be subject to the restrictions on placement of bids, price and volume as specified by the Board.*

Opening of the offer on stock exchange:

- 17.(i) *The identity of the company as a purchaser shall appear on the electronic screen when the order is placed;*
- (ii) *The buy-back offer shall open not later than four working days from the date of public announcement and shall close: -*
 - a) *within six months, if the buy-back offer is opened on or before March 31, 2023;*



- b) *within 66 working days, if the buy-back offer is opened on or after April 1, 2023 and till March 31, 2024; and*
- c) *within 22 working days, if the buy-back offer is opened on or after April 1, 2024 and till March 31, 2025:*

Provided that with effect from April 1, 2025, the option of open market buy-back through the stock exchange shall not be available to any company except in cases where the buy-back offer has opened on or before March 31, 2025.

Subsequent compliances for open market buy-back through stock exchange:

- 18.(i) The company shall submit the information regarding the shares or other specified securities bought-back, to the stock exchange on a daily basis in such form as may be specified by the Board and the stock exchange shall upload the same on its official website immediately;*
 - (ii) The company shall upload the information regarding the shares or other specified securities bought-back on its website on a daily basis.*
- 19. A company may buy-back its shares or other specified securities in physical form in the open market through stock exchange by following the procedure as provided hereunder:*
- (i) A separate window shall be created by the stock exchange, which shall remain open during the period of buy-back, for buy-back of shares or other specified securities in physical form.*
 - (ii) The company shall buy-back shares or other specified securities from eligible shareholders holding physical shares through the separate window specified in sub-regulation(i), only after verification of the identity proof and address proof by the broker.*
 - (iii) The price at which the shares or other specified securities are bought back shall be the volume weighted average price of the shares or other specified securities bought-back, other than in the physical form, during the calendar week in which such shares or other specified securities were received by the broker:*



Provided that the price of shares or other specified securities tendered during the first calendar week of the buy-back shall be the volume weighted average market price of the shares or other specified securities of the company during the preceding calendar week.

Provided further that the effect on the price of the equity shares of the company due to material price movement and confirmation of reported event or information may be excluded as per the framework specified under sub-regulation (11) of regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for determination of the volume weighted average market price.

Explanation: In case no shares or other specified securities were bought back in the normal market during calendar week, the preceding week when the company has last bought back the shares or other specified securities may be considered.

Escrow account for open market buy-back through stock exchange:

20.(i) The company shall, within two working days of the public announcement, create an escrow account towards security for performance of its obligations under these regulations, and deposit in escrow account 25 per cent of the amount earmarked for the buy-back as specified in the resolution of the board of directors or the special resolution, as the case may be.

(ii) The escrow account referred to in sub-regulation (i) may be subject to appropriate margin as specified by the Board, in the form of, -

- a) cash deposited with any scheduled commercial bank; or*
- b) bank guarantee issued in favour of the merchant banker by any scheduled commercial bank.*
- c) deposit of frequently traded and freely transferable equity shares or other freely transferable securities with appropriate margin with the merchant banker; or*
- d) government securities; or*
- e) units of mutual funds invested in gilt funds and overnight schemes; or*
- f) a combination of the above.*



Explanation: The cash component of the escrow account may be maintained in terms of Explanation to clause (c) of sub-regulation (xi) of regulation 9.

- (iii) For such part of the escrow account as is in the form of a cash deposit with a scheduled commercial bank, the company shall while opening the account, empower the merchant banker to instruct the bank to make payment of the amounts lying to the credit of the escrow account, to meet the obligations arising out of the buy-back.*
- (iv) For such part of the escrow account as is in the form of a bank guarantee:*
- a) the same shall be in favour of the merchant banker and shall be kept valid for a period of thirty working days after the expiry of buy-back period of the offer or till the completion of all obligations under these regulations, whichever is later.*
 - b) the same shall not be returned by the merchant banker till completion of all obligations under the regulations.*
- (v) Where part of the escrow account is in the form other than cash, the company shall deposit with a scheduled commercial bank, in cash, a sum of at least 2.5 per cent of the total amount earmarked for buy-back as specified in the resolution of the board of directors or the special resolution, as the case may be, as and by way of security for fulfillment of the obligations under the regulations by the company.*
- (vi) The escrow amount may be released for making payment to the shareholder's subject to atleast 2.5 percent of the amount earmarked for buy-back as specified in the resolution of the board of directors or the special resolution, as the case may be, remaining in the escrow account at all points of time.*
- (vii) On fulfilling the obligation specified in regulation 15, the amount and the guarantee remaining in the escrow account, if any, shall be released to the company.*
- (viii) In the event of non-compliance with regulation 15, the Board may direct the merchant banker to forfeit the escrow account, subject to a maximum of 2.5 per cent of the amount earmarked for buy-back as specified in the resolution of the board of directors or the special resolution, as the case may be, except in cases where, -*
- a) volume weighted average market price (VWAMP) of the shares or other specified securities of the company during the buy-back period was higher than the buy-back*



price as certified by the Merchant banker based on the inputs provided by the stock exchanges.

b) sell orders were inadequate despite the buy orders placed by the company as certified by the Merchant banker based on the inputs provided by the stock exchanges.

c) such circumstances existed which were beyond the control of the company and in the opinion of the Board merit consideration.

(ix) In the event of forfeiture for non-fulfillment of obligations specified in sub-regulation (viii) of this regulation, the amount forfeited shall be deposited in the Investor Protection and Education Fund of Securities and Exchange Board of India.

Extinguishment of certificates for open market buy-back through stock exchange:

21.(i) Subject to the provisions of sub-regulation (ii) and (iii), the provisions of regulation 11 pertaining to the extinguishment of certificates for tender offers shall apply for extinguishment of certificates under this Chapter.

(ii) The company shall complete the verification of acceptances within fifteen working days of the payout.

(iii) The company shall extinguish and physically destroy the securities certificates so bought back during the month in the presence of a Merchant Banker and the secretarial auditor, on or before the fifteenth day of the succeeding month:

Provided that the company shall ensure that all the securities bought-back are extinguished within seven working days of expiry of buy-back period.
