SEBI has amended the Buy-Back of Securities Regulations, 2026 to strengthen investor protection and ensure continued compliance with minimum public shareholding (MPS) norms.

Key Changes:

- A company cannot undertake a buy-back of shares or other specified securities if it would result in a breach of the Minimum Public Shareholding (MPS) requirements prescribed under the Securities Contracts (Regulation) Rules (SCRR) or the SEBI (LODR) Regulations.
- Companies must ensure that the public shareholding remains above the prescribed threshold even after the completion of the buy-back.
- For open market buy-back offers, companies are now required to send an electronic intimation within one working day, enhancing disclosure and transparency requirements.

Significance:

- Prevents excessive reduction in public float due to buy-backs.
- Ensures continued compliance with MPS norms and protects market liquidity.
- Improves transparency and timely dissemination of information to investors and stock exchanges.

Key Takeaway

The amendment ensures that buy-back transactions do not result in non-compliance with minimum public shareholding requirements, while also introducing faster electronic disclosure obligations for open market buy-backs, thereby promoting transparency, regulatory compliance, and investor confidence.

How Does This Amendment Affect Buy-Backs?

The SEBI amendment imposes an important **pre-condition on buy-back transactions**: companies can no longer undertake a buy-back if it would cause their **public shareholding to fall below the minimum level prescribed by law**. This strengthens compliance with Minimum Public Shareholding (MPS) requirements and preserves market liquidity.

Impact on Companies

- **Additional Compliance Check Before Buy-Back**
    - Companies must assess the post-buy-back shareholding pattern before announcing a buy-back.
    - If the buy-back would reduce public shareholding below the prescribed MPS threshold (generally 25% for most listed companies), the buy-back cannot be undertaken.
- **Restriction on Large Buy-Backs**
    - Promoter-heavy companies with public shareholding close to the minimum threshold may have limited ability to conduct large buy-backs.
    - Such companies may need to reduce the buy-back size or consider alternative methods of returning capital to shareholders.
- **Greater Disclosure Obligations**
    - For open-market buy-backs, companies must send an electronic intimation within one working day, ensuring quicker dissemination of information to stock exchanges and investors.

Impact on Investors

- **Protection of Market Liquidity**
    - Adequate public float remains available for trading, reducing the risk of illiquidity in listed securities.
- **Improved Price Discovery**
    - Maintaining minimum public shareholding helps ensure sufficient trading volume and fair market pricing.
- **Timely Information**

  - Faster disclosure requirements allow investors to receive buy-back-related information more promptly.

Practical Example

Suppose a listed company has:

- Total shares: 100 crore
- Promoter holding: 74 crore (74%)
- Public holding: 26 crore (26%)

If the proposed buy-back would reduce public shareholding to **22%**, the company **cannot proceed with the buy-back** because it would breach the MPS requirement.

Key Takeaway

The amendment does **not prohibit buy-backs**, but it ensures that companies:

1. Maintain the prescribed **minimum public shareholding** after the buy-back;
2. Avoid excessive reduction of public float;
3. Enhance transparency through prompt electronic disclosures.

Overall, the change will particularly affect companies with **high promoter shareholding and limited public float**, as their ability to undertake large buy-backs will now be constrained by MPS compliance requirements.

What are the Penalties for Breach of Minimum Public Shareholding (MPS) Requirements?

The recent buy-back amendment itself primarily **prohibits companies from undertaking a buy-back that would result in a breach of MPS norms**. If a listed company nevertheless falls below the prescribed MPS level, it may face regulatory action under the **SCRR, SEBI Act, and SEBI (LODR) Regulations**.

Regulatory Consequences

1. SEBI Enforcement Action SEBI has powers to direct corrective actions and may restrict access to the securities market for non-compliant entities.

2. Monetary Penalties For violations where no specific penalty is prescribed, SEBI may impose penalties under **Section 15HB of the SEBI Act**, ranging from **₹1 lakh to ₹1 crore**.

3. Restrictions on Promoters and Company SEBI and stock exchanges may impose restrictions such as:

- Freezing promoter shareholding,
- Restricting corporate actions,
- Limiting access to capital markets until MPS compliance is restored.

4. Stock Exchange Action Stock exchanges can initiate regulatory actions against listed entities for non-compliance with Listing Regulations, including fines and other enforcement measures.

5. Severe Cases In serious cases involving violations of securities laws, SEBI Act provisions may permit stronger enforcement actions, including prosecution in accordance with applicable law.

Impact of the 2026 Buy-Back Amendment

The amendment is preventive in nature. Instead of allowing a buy-back and penalizing the company afterward, SEBI now requires companies to ensure **before announcing the buy-back** that the transaction will not reduce public shareholding below the prescribed threshold. This significantly reduces the risk of post-buy-back MPS violations.

Key Takeaway

A company contemplating a buy-back must carefully evaluate its post-buy-back shareholding pattern. Failure to maintain the required public float can lead to:

- Regulatory directions from SEBI,

- Monetary penalties,
- Freezing of promoter holdings,
- Restrictions on market access, and
- Other enforcement actions until compliance is restored.