CONSULTATION PAPER FOR PUBLIC COMMENTS

Exemption from the requirement of mandatory merchant banker appointment for Small-value debt through private placement by certain listed issuers

1. **Background**:

1.1. Clause 1.3 of Chapter V of SEBI NCS Master Circular dated October 15, 2025, *inter-alia,* requires appointment of at least one merchant banker for issuance of debt security or non-convertible redeemable preference share on private placement basis at a face value of Rs. Ten Thousand (hereinafter referred to as "Small-value debt").

1.2. SEBI has received feedback from various market participants to grant exemption from the requirement of mandatory merchant banker appointment for Small-value debt through private placement by listed issuers to address several operational challenges and also to facilitate market development.

1.3. The mandate for merchant banker appointment in all debt issuances creates several challenges for "Small-value debt" offerings. For instance:

   i. Disproportionate burden of the appointment cost of merchant bankers reducing the economic viability of such offerings
   ii. Limited number of merchant bankers in the debt segment
   iii. Significant delays in private placement execution, acting as a hindrance in the Small-value debt market where price discovery is highly time-sensitive, since prices change dynamically and issuers face substantial challenges due to adverse shifts in the prevailing market yields.

The above increases the cost of capital for issuers, eroding economic viability of planned issuances, thereby, discouraging frequent Small-value debt issuances.

1.4. Listed issuers operate under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations"), wherein regulatory oversight of SEBI and Stock Exchanges includes various governance-related requirements, continuous disclosure obligations and regulatory scrutiny, potentially eliminating the need for merchant banker oversight in private placements. Further, a large number of the issuers of listed debt in the market are RBI registered/ regulated NBFCs having additional regulatory oversight with prudential norms on capital adequacy, asset classification and debt issuance. Therefore, this impacts regulatory efficiency and potentially restricts the development/ deepening of the corporate bond market.

2. Proposal:

2.1. Based on the examination of the recommendations made by the Working Group, and in view of the fact that sufficient information about the issuer is already available in public domain and the issuer is also under regulatory oversight, it is proposed to exempt “Small-value debt” issues from the requirement to appoint merchant banker, subject to the following conditions:

2.1.1. The Issuer is registered/ regulated by a financial sector regulator in India.
[**Rationale**: Financial sector regulators ensure comprehensive on-site and off-site oversight of regulated entities and the extant regulatory frameworks provide for investor protection mechanisms.]

2.1.2. The Issuer is listed in any segment on any of the recognized Stock Exchange(s) for a period of at least one year. Stock Exchange(s), at the time of granting in-principle approval, shall ensure that there are no pending fines or penalties levied by SEBI/ Stock Exchanges for non-compliance with any of the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
[**Rationale**: Listed issuers operate under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations”), wherein regulatory oversight of SEBI and Stock Exchanges includes various governance-related requirements, continuous disclosure obligations and regulatory scrutiny, potentially eliminating the need for merchant banker oversight in private placements.]

2.1.3. The Issuer has not defaulted in the last three financial years and the current financial year in respect of the repayment of deposits or interest payable thereon, redemption of non-convertible preference shares or debt securities and interest payable thereon, declaration and payment of dividend to shareholders and repayment of any term loan or interest payable thereon. The Issuer shall submit an auditor's certificate to this effect to the Stock Exchange. [**Rationale**: This restricts the exemption to Issuers with demonstrated capacity to service debt on time.]

2.1.4. The debt security issued shall be unsubordinated/ senior and "secured" by a first or pari passu charge on the identifiable assets of the issuer and rated at least AA- or above on the date of private placement.
[**Rationale**: This restricts the exemption to relatively low-risk instruments in terms of investors' claim on assets and cash flows in the event of bankruptcy/ liquidation and probability of default.]

3. Public Comments

3.1. SEBI invites feedback from the public on the draft circular titled "*Exemption from the requirement of mandatory merchant banker appointment for Small-value debt through private placement by listed issuers*" placed at **Annexure A**.

3.2. The comments/ suggestions should be submitted latest by September 17, 2026, through the online web-based form at the following link: *https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes*

3.3. In case of any technical issue in submitting your comment through web based public comments form, you may contact the following through email with the subject: *"Consultation paper on Exemption from the requirement of mandatory merchant banker appointment for Small-value debt through private placement by certain listed issuers"*.

i. Mr. Rohit Dubey, GM (rohitd@sebi.gov.in)
ii. Ms. Nishtha Tewari, AGM (nishthat@sebi.gov.in)

Issued on: August 27, 2026

Annexure A

DRAFT CIRCULAR

SEBI/HO/DDHS/DDHS-PoD-1/P/CIR/2025/XXX **Date**

To,

Issuers of listed debt securities;

Recognised Stock Exchanges;

Registered Depositories

Registered Merchant Bankers

Sub: Exemption from the requirement of mandatory merchant banker appointment for Small-value debt through private placement by listed issuers

1. Clause 1.3 of Chapter V of SEBI Master Circular for issue and listing of Non-Convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper dated October 15, 2025 ("NCS Master Circular"), *inter-alia,* states the following:

   "1.3. The Issuer may issue debt security or non-convertible redeemable preference share on private placement basis at a face value of Rs. Ten Thousand,

   i) Subject to the following conditions:

   a) The issuer shall appoint at least one Merchant Banker.
   Provided that the role, responsibilities and obligations of the Merchant Banker(s) shall be same as they would be in case of public issue of debt security or non-convertible redeemable preference share.

   b) Such debt security or non-convertible redeemable preference share shall be interest/ dividend bearing security paying coupon/ dividend at regular intervals with a fixed maturity without any structured obligations……"

2. Based on the feedback received from market participants, in order to facilitate fund raising by issuers of debt security/ non-convertible redeemable preference share on private placement basis at a face value of Rs. Ten Thousand (i.e. "Small-value debt"), it has been

decided to exempt such issues from the requirement of merchant banker appointment, subject to certain conditions.

3. Accordingly, para 1.3 of the NCS Master Circular shall be modified as under:

"1.3. The Issuer may issue debt security or non-convertible redeemable preference share on private placement basis at a face value of Rs. Ten Thousand,

i) Subject to the following conditions:

a) The issuer shall appoint at least one Merchant Banker.

Provided that the role, responsibilities and obligations of the Merchant Banker(s) shall be same as they would be in case of public issue of debt security or non-convertible redeemable preference share.

However, the Issuer may be exempted from the requirement to appoint a Merchant Banker, subject to fulfilment of the following conditions:

i. The Issuer is registered/ regulated by a financial sector regulator in India, viz. SEBI, RBI, IRDAI or PFRDA.

ii. The Issuer is listed in any segment on any of the recognized Stock Exchange(s) for a period of at least one year. Stock Exchange(s), at the time of granting in-principle approval, shall ensure that there are no pending fines or penalties levied by SEBI/ Stock Exchanges for non-compliance with any of the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

iii. The Issuer has not defaulted in the last three financial years and the current financial year in respect of the repayment of deposits or interest payable thereon, redemption of non-convertible preference shares or debt securities and interest payable thereon, declaration and payment of dividend to shareholders and repayment of any term loan or interest payable thereon. The Issuer shall submit an auditor's certificate to this effect to the Stock Exchange.

iv. The debt security issued shall be unsubordinated/ senior and "secured" by a first or pari passu charge on the identifiable assets of the issuer and rated at least AA- or above on the date of private placement."

4. All other provisions of Chapter V of the NCS Master Circular shall remain unchanged.

5. The provisions of this circular shall be applicable with immediate effect.

6. The Stock Exchanges and Depositories are advised to:

   6.1. Make amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision, as may be applicable/ necessary;
   6.2. Carry out system changes, if any, to implement the above;
   6.3. Disseminate the provisions of this circular on their website;
   6.4. Communicate to SEBI the status of implementation of the provisions of this circular;
   6.5. Monitor the compliance of this circular by issuer companies.

7. The 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 Regulation 55 (1) of the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021, to protect the interest of investors in securities and to promote the development of, and to regulate the securities market.

8. This Circular is available at www.sebi.gov.in under the link "Legal → Circulars".

Yours faithfully,

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