

**CIRCULAR**

HO/17/11/12(3)2025-DDHS-POD1/ I/145/2025

November 25, 2025

To,

**All Registered Debenture Trustees,  
Issuers who have listed and/ or propose to list debt securities,  
Recognized Stock Exchanges, and  
Recognized Depositories**

Dear Sir/ Madam,

**Sub: Modifications to Chapter IV of the Master Circular for Debenture Trustees dated August 13, 2025**

1. Chapter IV of the Master Circular for Debenture Trustees dated August 13, 2025<sup>1</sup> ('DT Master Circular'), *inter-alia*, specifies provisions in respect of Recovery Expense Fund (REF).
2. While the DT Master Circular specifies the broad purpose of REF, it does not explicitly specify the list of purposes for which REF can be utilized and hence, the DTs face certain difficulties in obtaining consent as well as reimbursement from REF.
3. Accordingly, pursuant to the recommendations of the Working Group of DTs for Ease of Doing Business, discussions in Corporate Bonds and Securitization Advisory Committee (CoBoSAC) and public consultation, the following modifications to **Chapter IV of the DT Master Circular**, are being specified:

3.1. The introductory paragraph is modified as under:

*"In order to enable the Debenture Trustee to take prompt action for enforcement/ legal proceedings in case of 'default' in listed debt securities, a 'Recovery Expense Fund' (REF) shall be created by issuer which shall be used by Debenture Trustee under guidelines provided below."*

3.2. The paragraph 2 is modified as under:

***"Manner of utilization of Recovery Expense Fund:***

***2.1. In the event of default, the Debenture Trustee/ Lead Debenture Trustee may get reimbursed from the REF for all the related activities for enforcement/ legal proceedings including but not limited to obtaining various consents from debenture holders, voting process, holding of meetings of debenture holders, filing court applications, legal fees, expenses for asset recovery services,***

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<sup>1</sup> Master Circular no. SEBI/HO/DDHS-PoD-1/P/CIR/2025/117;

*appointment of legal consultants in respect of enforcement/ legal proceedings in the event of default.*

*2.2. In case the utilization of REF is for purposes explicitly specified under paragraph 2.1 above, prior approval from the debenture holders shall not be required. Debenture Trustee shall intimate debenture holders through mail and upload on its website regarding the reimbursement from REF. In case the utilization of REF is for purposes other than explicitly mentioned in paragraph 2.1 above, the Debenture Trustee/ Lead Debenture Trustee shall obtain prior consent of the holders of the debt securities and shall inform the same to the Designated Stock Exchange.*

*2.3. Debenture Trustee shall inform the Designated Stock Exchange to release the amount from the REF and submit an independent auditor's certificate regarding the expenses incurred to the Stock Exchange, which shall be verified by the Stock Exchange before release of the amount from the REF to the DT.*

*2.4. The Designated Stock Exchange shall release the amount lying in the REF to the Debenture Trustee/ Lead Debenture Trustee within five working days of receipt of such intimation.*

*2.5. For the purpose of the provisions of this Chapter, Lead Debenture Trustee shall mean:*

*a. A Debenture Trustee who is chosen as the Lead Debenture Trustee by other Debenture Trustees; or*

*b. A Debenture Trustee who represents holders of more than 50% of the outstanding value of debt securities.*

*2.6. The Debenture Trustee shall keep a proper account of all expenses incurred out of the funds received from REF.*

*2.7. The Debenture Trustee shall on an annual basis update the debenture holders regarding the utilization of such funds."*

4. The remaining provisions of Chapter IV of the DT Master Circular remain unchanged.

5. The provisions of this circular shall come into effect immediately.

6. This circular is issued in exercise of powers conferred under Section 11(1) of Securities and Exchange Board of India Act, 1992, Regulation 2A of the SEBI (Debenture Trustees) Regulations 1993, Regulation 101 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and Regulation 55 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.

7. This circular is available on the website of the Securities and Exchange Board of India at [www.sebi.gov.in](http://www.sebi.gov.in) under the category "Legal" and under the drop down "Circulars".
8. This circular is issued with the approval of the competent authority.

Yours faithfully,

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