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

BACKGROUND

SEBI has issued a consultation paper dated August 27, 2026, seeking public comments on exemption of certain listed issuers from the requirement to appoint a merchant banker for private placements of debt securities and non-convertible redeemable preference shares (**NCRPS**) having a face value of ₹10,000 (**Small-value Debt**). The consultation paper also annexes the draft circular setting out the proposed amendments to the SEBI Master Circular for issue and listing of Non-Convertible Securities, Securitized Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper.

PROPOSED FRAMEWORK

Presently, Clause 1.3 of Chapter V of the SEBI Master Circular for issue and listing of Non-Convertible Securities, Securitized Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper, requires issuers undertaking private placements of Small-value Debt to appoint at least one merchant banker. SEBI has now proposed to exempt certain issuers from this requirement, subject to the following conditions:

- ***Regulated issuer:*** The issuer must be registered with or regulated by a financial sector regulator in India, such as SEBI, RBI, IRDAI or PFRDA. SEBI has noted that financial sector regulators undertake comprehensive supervision of regulated entities and existing regulatory frameworks already incorporate investor protection mechanisms.
- ***Listed issuer with a compliance track record:*** The issuer must have been listed on a recognized stock exchange for at least one year and must not have any pending fines or penalties imposed by SEBI or the stock exchanges for non-compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. SEBI has observed that listed issuers are already subject to extensive regulatory oversight, disclosure requirements and governance obligations, thereby reducing the need for merchant banker oversight in private placements.
- ***No recent defaults:*** The issuer must not have defaulted during the preceding three financial years and the current financial year in relation to repayment of deposits, debt securities, NCRPS, term loans or related interest obligations, and must have complied with dividend payment obligations. An auditor's certificate confirming the same must be submitted to the stock exchange. According to SEBI, this condition is intended to restrict the exemption to issuers with a demonstrated ability to service debt obligations in a timely manner.
- ***High-quality secured debt:*** The debt securities proposed to be issued must be senior or unsubordinated, secured by a first or pari passu charge on identifiable assets of the issuer and carry a credit rating of at least AA- or above on the date of issuance. SEBI has stated that this condition is intended to limit the exemption to relatively low-risk debt instruments with stronger investor protection and lower default risk.

SEBI'S RATIONALE FOR THE PROPOSED FRAMEWORK

SEBI has noted that the mandatory requirement to appoint a merchant banker for all Small-value Debt issuances imposes additional costs, may delay execution of private placements and can adversely impact issuers in a market where pricing and yields are highly time-sensitive. SEBI has further observed that listed issuers are already subject to extensive regulatory oversight and disclosure requirements and, in many cases, additional supervision by sectoral regulators.

ELP Comments

The proposal appears to recognize that issuers subject to multiple layers of regulatory oversight may not require the same degree of intermediary involvement in private placements of Small-value Debts. Additionally, the conditions for exemption seek to ensure that, notwithstanding the proposed relaxation, the exemption remains available only to issuers that satisfy specified standards of regulatory compliance, credit quality and investor protection.

The proposed framework is likely to reduce execution timelines and transaction costs for eligible issuers, particularly regulated financial sector entities and frequent debt market participants. The proposal therefore seeks to strike a balance between facilitating ease of doing business and maintaining adequate investor protection safeguards, while furthering SEBI's objective of deepening the corporate bond market. The proposal also aligns with SEBI's broader objective of facilitating capital raising and promoting greater participation in the corporate bond market.

The consultation paper is available here, and public comments may be submitted to SEBI latest by September 17, 2026.

We hope you have found this information useful. For any queries/clarifications, please write to us at insights@elp-in.com or write to our authors:

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