

EXEMPTION FROM THE REQUIREMENT OF MANDATORY MERCHANT BANKER APPOINTMENT FOR DEBT ISSUED THROUGH PRIVATE PLACEMENT BY CERTAIN LISTED ISSUERS

BACKGROUND

The Securities and Exchange Board of India (**SEBI**), vide its circular (**Circular**) dated October 07, 2026, has relaxed the requirement to appoint a merchant banker for certain private placements of debt securities with a face value of ₹10,000. The exemption is subject to conditions concerning the issuer's regulatory status, listing and repayment history, and the security and credit rating of the issuance. The measure seeks to facilitate debt issuance and expand retail investors' access to highly rated securities.

REGULATORY CHANGES

- **Conditional exemption from merchant banker appointment:** The Circular replaces Paragraph 1.3 of Chapter V of the 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**). The appointment of at least one merchant banker remains the general requirement for private placements of debt securities or non-convertible redeemable preference shares at a face value of ₹10,000, with the same role, responsibilities and obligations as in a public issue. An issuer may dispense with such appointment only upon satisfying all the following prescribed conditions:
 - **Eligible Issuers:** The issuer must be registered with or regulated by SEBI, RBI, IRDAI or PFRDA and must have been listed in any segment of a recognised stock exchange for at least one year. There must be no pending fines or penalties levied by SEBI or stock exchanges for non-compliance with applicable provisions of the SEBI (LODR) Regulations, 2015. Stock exchanges must confirm the listing and compliance conditions when granting in-principle approval for the issue.
 - **Repayment history:** The issuer must not have defaulted during the preceding three financial years and the current financial year in redemption, repayment, interest or dividend obligations relating to its debt securities, non-convertible redeemable preference shares, securitised debt instruments, commercial papers, deposits or loans. A statutory auditor's certificate confirming the absence of such defaults must be submitted to the stock exchange.
 - **Security and credit rating:** The debt securities must be unsubordinated or senior and secured by a first or pari passu charge over identifiable assets of the issuer. For Central Public Sector Enterprises, Public Sector Undertakings and statutory bodies, the debt securities may be secured or unsecured. The securities must be rated AA- or higher on the date of private placement; where multiple ratings exist, the lowest rating will determine eligibility.
 - **Operational requirements and implementation:** Stock exchanges must prescribe suitable operational requirements, including disclosure formats and submissions, for compliance with the exemption conditions. Stock exchanges and depositories must make necessary amendments to their bye-laws, rules and regulations, undertake implementation measures and system changes, disseminate the Circular on their websites, report implementation status to SEBI and monitor compliance by issuer companies.

- **Effective date:** The Circular takes effect immediately with the issuance of this SEBI Circular. All other provisions of Chapter V of the NCS Master Circular remain unchanged.



ELP Comments

The exemption may reduce the cost and procedural burden of private placements at a face value of ₹10,000 for eligible issuers, while retaining eligibility safeguards based on regulatory oversight, compliance history, repayment performance, security and credit rating. The repayment test extends beyond securities to deposits and loans, requiring issuers to examine their wider payment history before relying on the exemption. Dispensing with the appointment of a merchant banker does not dispense with the remaining requirements of Chapter V. Issuers should accordingly assess their eligibility and the relevant stock exchange's operational requirements when planning an issuance.

A copy of the SEBI Circular is available [here](#).

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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