



May 2025

The Securities and Exchange Board of India amends issue and listing of securitised debt instruments and security receipts regulations

The Securities and Exchange Board of India (“**SEBI**”) on May 5, 2025, has issued the SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts) (Amendment) Regulations, 2025 amending the SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008 (“**SDI Regulations**”). These amendments are aligned with the existing Reserve Bank of India (“**RBI**”) guidelines on securitisation and aims to improve the efficiency of securitisation market.

Some of the key amendments in the SDI Regulations are discussed below:

1. **Definition of ‘debt’ or ‘receivables’:** The definition of ‘debt’ or ‘receivables’ has been amended to include all financial assets originated by an entity regulated by the RBI. The SDI Regulations now include restrictions on originators such as re-securitisation exposures, synthetic securitisation, etc. Specific items have been inserted including equipment leasing receivables; listed debt securities; trade receivables; and rental receivables. All such debts or receivables must originate from written contractual obligations or written contracts. No other debt or receivables are permitted as an underlying asset for securitisation under the SDI Regulations.
2. **Registration of Trustee:** Trustees who already registered under the SEBI (Debenture Trustee) Regulations, 1993, will no longer be required to obtain registration under the SDI Regulations. Further, the removal of the trustee no longer requires approval from SEBI.
3. **Liquidity Facilities:** The SDI Regulations outline the detailed provisions of liquidity facilities (including conditions such as the nature, fees, tenure, maximum amount, requirement of legal opinion and documentation). It has been clarified that liquidity facilities are different from credit enhancement and must not be used for credit enhancement. However, if the specified conditions are not met then such liquidity facility will be classified as ‘credit enhancement’.
4. The SDI Regulations also clarify that the facility cannot be used for covering the issuer’s losses, acting as permanent revolving facility or covering losses in the underlying assets prior to a drawdown.
5. **Conditions governing securitisation under the SDI Regulations:**
 - a) No single obligor can constitute more than 25% of the asset pool, unless relaxed by SEBI.
 - b) The Securitised Debt Instrument (“**SDI**”) must be fully paid up upfront.
 - c) The assets comprising the securitisation pool should be homogeneous, i.e., the underlying debt/receivables must be of the same or similar risk or return profile.

- d) originators and obligors not regulated by RBI should have a track record of operations of 3 financial years which resulted in the creation of the underlying asset.
- e) any offer of SDIs made to fifty or more persons in a financial year shall always be deemed to have been made to the public. Further, transfer of SDIs shall be restricted by the mechanism set out by the issuer and the depository.

6. Public offer of SDIs

- a) A minimum ticket size (i.e., investment by a single investor) of INR 1,00,00,000 (Indian Rupees one crore) has been mandated for issuance of SDIs to the public. Further, for transfer of such SDIs: (i) the minimum ticket size must be INR 1,00,00,000 (Indian Rupees one crore) for originators not regulated by RBI, (ii) where the underlying is listed securities, the minimum ticket size will be the face value of such listed securities, provided SDIs with amortisation structures issued to the public are permitted to trade at the amortised value if the ticket size falls below INR 1,00,00,000 (Indian Rupees one crore).
- b) The minimum retention requirement stipulates that originators will retain a minimum of 10% of the securitised pool (or 5% per cent where the scheduled maturity of any of the cash flows is within 24 (twenty-four) months). In case of residential mortgage-backed securities, a mandatory minimum of 5% of the securitised pool is prescribed irrespective of maturity.
- c) The minimum holding period requirement is of (i) 3 (three) months in case of loans with tenor of up to 2 (two) years; and (ii) 6 (six) months in case of loans with tenor of more than 2 (two) years.
- d) The public offers for SDIs must remain open for a minimum of 2 (two) working days and a maximum of 10 (ten) working days (earlier this was allowed until 30 (thirty) working days).
- e) The SDIs offered to the public should be issued and transferred exclusively in demat form.
- f) The special purpose distinct entity or trustee is required to offer each scheme of securitised debt instruments to the public for subscription through advertisements (in the prescribed manner), on or before the issue opening date. Such advertisement should contain, among other things, amongst other things, the disclosures specified in Schedule VII of the SDI Regulations.
- g) There is no longer a requirement for every special purpose distinct entity which has previously entered into agreements with a recognised stock exchange to list securitised debt instruments to execute a fresh listing agreement with such stock exchange within 6 (six) months of the date of notification of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- h) There is no longer a requirement for a security deposit to be made by the issuer with the stock exchange(s).

Conclusion

The definition of debt or receivables have been widened to specifically include certain kind of assets. This will boost the market confidence in investing in papers representing lease, trade or rental receivables. While the minimum risk retention and the Minimum Holding Period requirements will improve the quality of the underlying asset, the requirement of a three-track record for obligors and originators coupled with the requirement of having at-least 4 (four) obligors for the asset pool may exclude a significant pool of securitisation transactions from listing. Lastly, clarity in the registration and roles of trustee function is a welcome change from a transaction management perspective.

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This Prism has been prepared by:



Anish Mashruwala
Partner



Pratish Kumar
Partner



Sumitava Basu
Partner



Anmol Narang
Associate



Arpita Mittal
Associate



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