

# SEBI guidelines on Securitised Debt Instruments (SDI)

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**Amended SEBI guidelines on SDIs  
positive for investor confidence**

**MAY 2025**





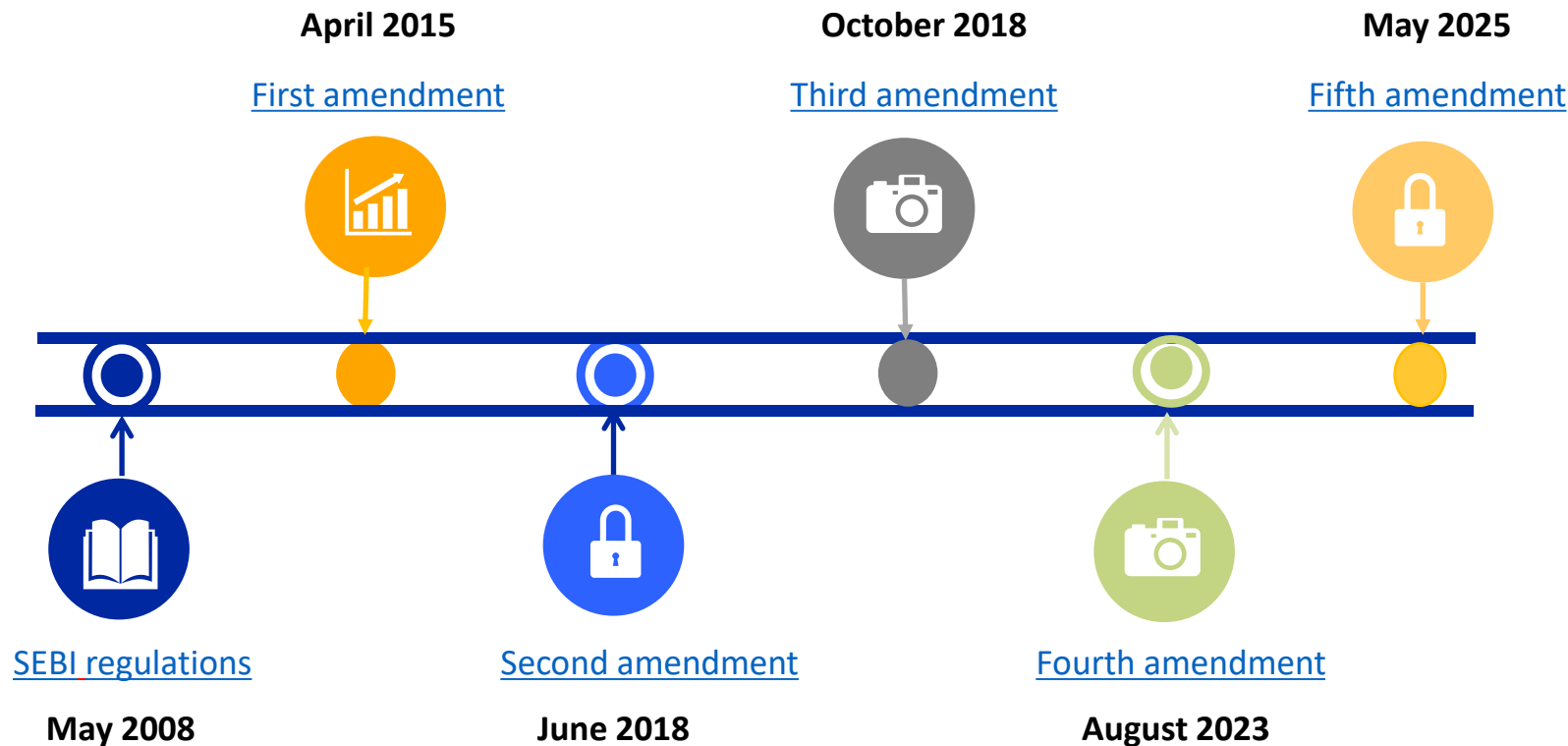
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*While the guidelines are in line with those for the securitisation of standard assets, features such as obligor cap, minimum ticket size, presence of track record, requirement of minimum holding period (MHP), and minimum retention requirement (MRR) may be challenges, especially for non-RBI regulated entities.*

*The norms provide additional compliance requirements on trustees and originators, which are likely to improve governance and are positive for investors.*



- On May 05, 2025, the Securities and Exchange Board of India (SEBI) amended the guidelines for issue and listing of securitised debt instruments (SDIs) and security receipts (SRs). SEBI had released a consultation paper on reviewing these norms in November 2024.
- While the initial amendments were issued in 2008, the market for listed SDIs did not take off with limited issuances of listed securitised instruments, despite the pick-up in overall securitisation volumes.
- As per ICRA's assessment, while the share of listed SDIs has been rising in recent years with many non-financial entities tapping this route, most of the issuances have been under the private placement route. Further, the market for down-selling of SDIs continues to be shallow.
- The amendments are aligned with the SDI framework to that of the Reserve Bank of India (RBI) guidelines on securitisation of standard assets. However, an obligor cap of 25% has been inserted in the SDI guidelines, which would impact transactions with less than four obligors.
- The presence of the MHP may improve the credit profile of the underlying asset while the MRR would lead to a skin in the game for the originator. ICRA believes this to be positive for investors.
- Requirement of track record of originator and obligor for non-financial entities may impact the originators and pools backed by obligors with lower track record. Further, a cap of 50 investors and minimum ticket size of Rs. 1 crore, even for secondary market deals, are a negative.
- The guidelines state additional compliance requirements for trustees and originators, which are expected to improve dissemination of data to investors and credit rating agencies but are likely to lead to increased compliance and cost.



# Changes in guidelines and potential impact - I

| Particulars                                  | Key changes  | Impact as per ICRA's assessment  |
|--|--|--|
| <b>Assets eligibility for securitisation</b> | <ul style="list-style-type: none"> <li>Eligible and ineligible asset classes defined</li> <li>Definition made in line with RBI SSA guidelines</li> <li>Any asset not mentioned in guidelines not to be allowed</li> <li>Any financial asset originated by RBI regulated entity is eligible asset</li> </ul>  | <ul style="list-style-type: none"> <li>The list of assets eligible and ineligible are in line with RBI SSA guidelines. Further, the list of eligible assets is broad and provides clarity to originators and investors.</li> <li>However, assets that are not mentioned in the list of eligible assets shall not be securitised under these guidelines, which may impact securitisation of newer asset classes.</li> </ul>   |
| <b>Liquidity facility (LF)</b>               | Nature and usage of LF clarified. The liquidity facility shall only be drawn for short periods and not used for two consecutive repayment cycles.  | While the clauses covering liquidity facility (LF) are in line with RBI SSA guidelines, these mention that LF preferably should not be used for two consecutive repayments to investors and that if the drawings under the LF are outstanding for more than 90 days it should be classified as NPA and be fully provided for. Thus, the SEBI guidelines are tighter than RBI SSA guidelines; however, there is no clarity on NPA recognition of LF.  |
| <b>Holding of originator</b>                 | <ul style="list-style-type: none"> <li>Cap of 25% per obligor</li> <li>Asset comprising the securitisation pool shall be homogeneous</li> <li>SDIs shall be fully paid up upfront</li> <li>Originators shall have a track record of operations of three financial years</li> <li>Obligor shall have a track record of operations of three financial years</li> </ul> | <ul style="list-style-type: none"> <li>The cap of 25% per obligor would mean a minimum of four obligors in a pool, which would adversely impact single obligor transactions. Further, there is no such cap in RBI SSA regulation, except 2% for STC (simple, transparent and comparable) transactions, which may deter listing of such transactions.</li> <li>The requirement of homogenous is also not required in RBI SSA guidelines except for STC transactions, which may impact volumes.</li> <li>The track record requirement is relaxed for RBI regulated entities, which is a positive for Banks/NBFCs/HFCs but is a negative for non-financial entities.</li> </ul> |

## Changes in guidelines and potential impact - II

| Particulars  | Key changes  | Impact as per ICRA's assessment  |
|--|--|--|
| <b>Holding of SDIs</b>                               | SDIs to be issued and transferred in demat mode, no physical certificates  | ICRA expects this to smoothen trading process and benefit investors. The change is in line with market shifting to digital mode of transactions. Also expected to improve liquidity of these instruments in secondary market.  |
| <b>Offer period</b>                                  | The offer period revised to 2-10 days instead of 30 days   | While the offer period has been reduced, this would only be applicable for public issuance. Thus, for public issuance the originators/arrangers for the transaction would have to arrange for investors in a shorter time, given that most of the issuances of SDIs have been private issuances. ICRA does not expect this to adversely impact the SDI volumes.  |
| <b>Number of investors</b>                           | <ul style="list-style-type: none"> <li>▪ The cap of 50 for private offer Issuance</li> <li>▪ Initial and subsequent investors have to be limited to 50 or else it would be deemed to be a public offer</li> </ul>  | The cap of 50 investors has been retained; however, the addition of clause regarding the cap to cover both primary and secondary investors is a negative and may discourage the broadening of the investor pool, especially to retail investors and secondary market volumes, which are currently shallow for SDIs. The ticket size cap of Rs. 1 crore and investor cap may negatively impact larger issuances, if not done through private offer. |
| <b>Definitions and linkages to other regulations</b> | Definition of advertisement and control added. References to management replaced by control. Further linkages to Companies Act, 2013, and Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, added. | This provides greater regulatory clarity. References to control over management is a positive.   |

# Changes in guidelines and potential impact - III

| Particulars                             | Key changes   | Impact as per ICRA's assessment  |
|---|---|--|
| <b>Advertisements for public issues</b> | <ul style="list-style-type: none"><li>▪ Details of advertisement to be put out specified.</li><li>▪ The advertisement to be published in an English national daily and regional daily newspaper with wide circulation.</li><li>▪ The credit rating shall be prominently displayed in the advertisement.</li></ul>   | ICRA expects this to improve investor confidence with wider dissemination of data. Importance has been provided to the credit rating.  |
| <b>Offer document disclosure</b>        | <ul style="list-style-type: none"><li>▪ Reference to MRR now mandatory</li><li>▪ Removal of option between physical and dematerialised form</li><li>▪ Disclosure about defaults in connection with servicing obligations undertaken in the past in preceding three years and the current financial year to be provided.</li><li>▪ Material developments in relation to the originator or servicer or any other party to the transaction, which could be prejudicial to the interests of the investors to be provided.</li><li>▪ Declaration to be provided by directors of the originator (for public issue) and authorised signatories of originator (for private issue) against earlier clause of declaration by directors of originator.</li></ul> | <ul style="list-style-type: none"><li>▪ The declaration of servicing obligations undertaken in the past in the preceding three years and the current financial year, are to be disclosed, which is a positive.</li><li>▪ By broadening the definition of material developments, there is likely to be an increase in compliance for the trustee and higher investor awareness.</li><li>▪ The declaration by authorised signatory added over the board of directors is a positive from governance perspective but it is likely to ease compliance burden for originators since most of the issuances are under the private issue.</li></ul> |

# Changes for only publicly issued SDIs and potential impact - I

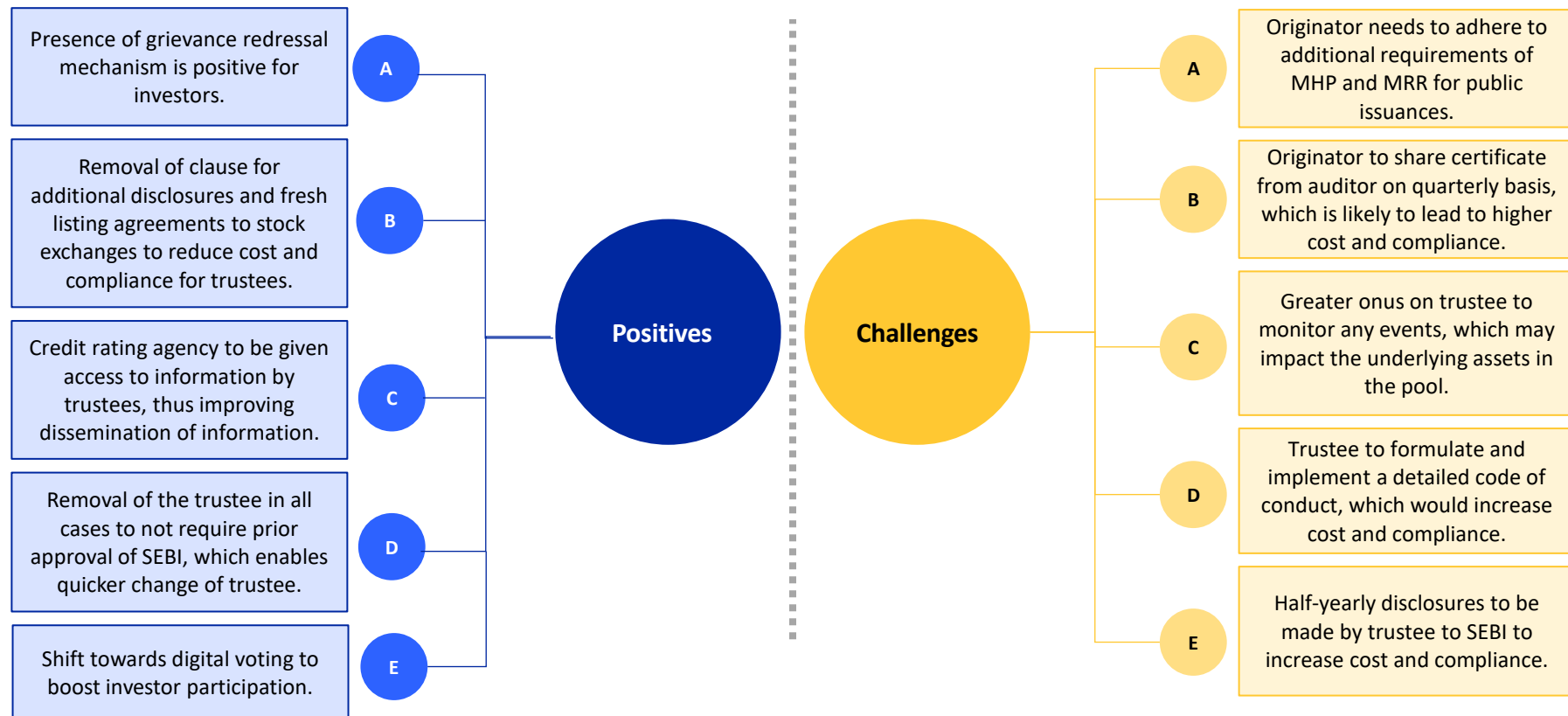
| Particulars                         | Key changes  | Impact as per ICRA's assessment  |
|-------------------------------------|--|--|
| <b>Minimum ticket size</b>          | Minimum ticket size inserted and made in line with RBI SSA guidelines, only for listed SDIs. RBI SSA has Rs. 1 crore at time of issuance while SEBI is proposing Rs. 1 crore even in the secondary market for non-RBI entities.  | Filters out retail and small HNI (high net worth) investors. Creates institutional-grade market. Reduces mis-selling. May reduce volume but improve quality of investor base. Shift in investor base towards larger investors likely.  |
| <b>Minimum Holding Period (MHP)</b> | <ul style="list-style-type: none"> <li>MHP of 3 months (loan tenor up to 2 years) and 6 months (for loans with tenure of more than 2 years)</li> <li>MHP to be calculated from date of registration of underlying security (for secured loans) and date of first repayment of loans (for unsecured loans)</li> </ul> | Originators would need to hold on to asset on its books for complying with MHP. The MHP is in line with RBI SSA guidelines and, hence, is unlikely to impact RBI regulated entities, which were already complying with MHP. This may adversely impact non-RBI regulated entities and receivables with short tenure. However, MHP is only applicable for public offer and SDI issuance carried out thus far has largely been through private placement and, hence, this is unlikely to impact originators adversely while also improving the quality of the securitised pool as it would be seasoned before assignment. In ICRA's assessment, seasoning is one of the key filters applied by investors and seasoning of the underlying assets in pool is viewed as a positive from a credit rating perspective. |

# Changes for only publicly issued SDIs and potential impact - II

| Particulars                                | Key changes   | Impact as per ICRA's assessment  |
|--|---|--|
| <b>Clean up call option</b>                | <ul style="list-style-type: none"><li>▪ Clean up call inserted for public issue (threshold of not more than 10% of the original value of the underlying assets/SDIs)</li><li>▪ Clean up call discretionary for originator and shall not act as credit enhancement</li></ul> | <ul style="list-style-type: none"><li>▪ The clean up call option clause for SDIs under public offer has been made in line with RBI SSA guidelines. Clean up call allows the originator to buy back the underlying pool and originators typically do this to release the credit enhancement provided by it. Providing this option to originators is a positive.</li><li>▪ However, the option is not available for private issuances, which is a negative for the originators given that most issuances are happening under private placement.</li></ul>  |
| <b>Minimum Retention Requirement (MRR)</b> | <ul style="list-style-type: none"><li>▪ MRR of 5% (loan tenor up to 2 years) and 10% (for loans with tenure more than 2 years)</li><li>▪ MRR to be 5% for residential mortgage-backed securities</li></ul>  | <p>Originators would need to retain skin in the game to comply with MRR. The MRR is in line with RBI SSA guidelines and, hence, is unlikely to impact RBI regulated entities, which were already complying with MRR. This may adversely impact non-RBI regulated entities and increase capital requirements. However, MRR is only applicable for public offer and SDI issuance carried out thus far has been through private issuance and, hence, this is unlikely to impact originators adversely while also acting as credit enhancement for SDIs, which is a positive for investors. In ICRA's assessment, presence of MRR in form of first loss facility or junior tranche is a positive from a credit rating perspective.</p> |



# Impact of additional responsibilities on trustee and originators





## **Annexure – Changes in compliance requirement for trustee and originator *(details)***

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# Changes in guideline regarding role of trustee and originator - I

| Particulars                                      | Key changes   |
|--|---|
| <b>Grievance redressal mechanism</b>             | <ul style="list-style-type: none"><li>▪ The special purpose distinct entity (SPDE) and the trustee shall furnish information to SEBI on a half-yearly basis</li><li>▪ Disclosure requirement for facilitating automated supervision and automated processing of data related to SDIs added</li></ul>  |
| <b>Listing agreement and listing application</b> | <ul style="list-style-type: none"><li>▪ Earlier every SPDE that entered into agreements with a recognised stock exchange to list SDIs had to execute a fresh listing agreement with such stock exchange within six months. This clause has not been deleted, and thus fresh listing agreement is not needed.</li><li>▪ Earlier with respect to public offers of SDIs, the SPDE/Trustee was required to satisfy the recognised stock exchange to which a listing application is made. The listing application needed to be in accordance with the regulations and these were to a part of the disclosures to be made in the offer document. This clause has not been deleted and thus additional disclosures to stock exchanges is not needed.</li></ul> |
| <b>Investor rights</b>                           | E-voting facility to replace postal ballot for passing special resolutions, terms of SDIs to not change without consent of investors.   |
| <b>Obligations of trustees</b>                   | <ul style="list-style-type: none"><li>▪ Trustee to inform SEBI of any actions to be taken by it</li><li>▪ Option of video meeting for investors</li><li>▪ Matters to be decided by Investors holding more than 50% value of the outstanding SDIs</li></ul>  |
| <b>Eligibility criteria for trustee</b>          | Reference provided to Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993 and, thus aligned with the debenture trustee regulations.   |

## Changes in guideline regarding role of trustee and originator - II

| Particulars   | Key changes   |
|---|---|
| <b>Assignment of debt or receivables (group linkages)</b>     | No special purpose distinct entity shall acquire any debt or receivables from any originator, which is part of the same group or, which is under the same <b><u>control</u></b> as the trustee. The word “control” replaces the word “management”.  |
| <b>Assignment of debt or receivables (disclosures)</b>        | <ul style="list-style-type: none"> <li>▪ The originator shall provide the periodic reports to the trustee regarding the performance of the underlying asset pool, at least on a quarterly basis</li> <li>▪ The originator shall provide a certificate from its auditor(s) regarding the disclosures of underlying asset pool assigned to the securitisation trust, as made by the originator, on quarterly basis</li> </ul>   |
| <b>Assignment of debt or receivables (role of trustee)</b>    | Trustee shall take necessary steps in case of any breach of covenants in terms of the trust deed and transaction documents.   |
| <b>Obligations of trustees (meetings and decision making)</b> | <ul style="list-style-type: none"> <li>▪ To facilitate wider participation and collective sense, meetings shall be facilitated by video-conferencing and voting shall be facilitated by electronic means</li> <li>▪ To facilitate timely decision-making, the sense of the meeting shall be ascertained on the basis of the investors who are present and voting</li> <li>▪ Decided by investors holding more than 50% value of the outstanding securitised debt instruments</li> </ul> |
| <b>Obligations of trustees (custodian)</b>                    | <ul style="list-style-type: none"> <li>▪ The trustees shall be accountable for, and be the custodian of, the funds and property and shall hold the same in trust for the benefit of the investors</li> <li>▪ The trustee shall ensure that the trust property is properly protected, held and administered by proper persons and by an appropriate number of such persons</li> </ul>  |

# Changes in guideline regarding role of trustee and originator - III

| Particulars               | Key changes  |
|---------------------------|--|
| <b>Code of conduct</b>    | <p>SPDE/Trustee to formulate and adhere to a code of conduct covering below points:</p> <ul style="list-style-type: none"><li>▪ A SPDE/Trustee shall ensure that good corporate policies and governance is in place by laying down standards of appropriate conduct for its employees for carrying out their duties</li><li>▪ A SPDE/Trustee shall take all reasonable steps to establish the true and full identity of each of its clients, and of each client's financial situation and maintain record of the same</li><li>▪ A SPDE/Trustee shall share information available with it regarding SPDE with registered credit rating agencies</li><li>▪ A SPDE/Trustee shall ensure that adequate disclosures are made to the holders of SDIs and security receipt (SRs) , in a comprehensible and timely manner so as to enable them to make a balanced and informed decision</li><li>▪ A SPDE/Trustee shall ensure that it has adequate resources to supervise diligently and does supervise diligently persons employed or appointed by it to conduct business on its behalf</li><li>▪ Grievances of SDI holders to be handled in a timely manner</li><li>▪ Inform SEBI of any legal proceedings initiated against SPDE/Trustee</li><li>▪ Responsibility of passing unpublished price sensitive information with respect to securities to any person or intermediary</li></ul> |
| <b>Removal of trustee</b> | <p>Earlier the removal of the trustee in all cases required the prior approval of SEBI. This clause has not been deleted and, thus SEBI's approval is not needed.</p>  |



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