



SEBI Issues Revised Master Circular for Debenture Trustees

The Securities and Exchange Board of India (SEBI), vide **Master Circular No. HO/17/11/12(2)2026-DDHS-POD1/I/22420/2026 dated September 28, 2026**, has issued a revised Master Circular for Debenture Trustees (“DT Master Circular”), consolidating all circulars applicable to Debenture Trustees (DTs) issued up to September 28, 2026. The DT Master Circular rescinds and replaces the earlier Master Circular dated August 13, 2025, and incorporates the substantial modifications made since then, primarily relating to activities of DTs outside the purview of SEBI, the Recovery Expense Fund and the timelines for submission of information by issuers to DTs.

Analysis

- SEBI had issued the Master Circular for Debenture Trustees on August 13, 2025 to provide stakeholders access to all applicable circulars at one place. Owing to the substantial modifications carried out since then, SEBI has issued a fresh Master Circular. The four circulars superseded by it (in addition to the August 2025 Master Circular) are listed in Annexure 1.
- The rescission of the earlier Master Circular is subject to a savings clause. Actions taken and applications made under the rescinded Master Circular are deemed to have been taken or made under the corresponding provisions of the new Master Circular. Rights, obligations, liabilities, penalties and proceedings accrued under the rescinded Master Circular remain unaffected.
- The DT Master Circular is organised into 17 chapters. These cover terms of registration, due diligence, security and covenant monitoring, the Recovery Expense Fund, security cover certificates, periodical monitoring, website disclosures, debenture trust deed provisions, investor grievance redressal, default and remedies, defaulted debt securities post maturity, the centralised database, regulatory compliance reporting, outsourcing, unauthenticated news, conflicts of interest, and FINNET 2.0 registration with FIU-India.



- A new paragraph 8 in Chapter I sets out terms and conditions for DTs carrying out activities outside the purview of SEBI. This implements Regulation 9C of the SEBI (Debenture Trustees) Regulations, 1993, which was inserted by the amendment notified on October 27, 2025.
- Non-SEBI regulated activities may be undertaken only at arm's length through one or more Separate Business Units (SBUs). These SBUs must be segregated by a Chinese Wall and ring-fenced from SEBI regulated activities.
- The SBU must have a separate grievance redressal mechanism, maintain separate records, and use distinct staff. Staff may cross the Chinese Wall under board-approved procedures, and the Chinese Wall does not apply to key managerial personnel. IT infrastructure and other resources may be shared, subject to board-approved procedures.
- DTs must disclose on their website the list of non-SEBI regulated activities. This disclosure must state that no SEBI investor protection mechanism is available for disputes arising from such activities. Where an activity is regulated by another financial sector regulator, that regulator must be named, and the DT must comply with that regulator's framework.
- Advertising, marketing material and webpages relating to non-SEBI regulated activities must be kept separate and distinct from those relating to SEBI regulated activities.
- Before undertaking such activities, DTs must make an upfront written disclosure on all engagement letters, contracts, agreements and business communications. They must also obtain written confirmation from stakeholders that they understand the nature of the activity, the risks involved and the non-availability of SEBI investor protection.
- For existing arrangements, DTs must make the disclosures, obtain stakeholder acknowledgements and submit a compliance report to SEBI. DTs must also include a board-approved undertaking confirming compliance with Regulation 9C in their half-yearly compliance report.
- A DT that is also regulated by the RBI must carry out its DT activity through an SBU, and that SBU must comply with the above conditions.



- The timeline for implementing Regulation 9C and these conditions has been extended to October 27, 2026, pursuant to SEBI Circular dated April 28, 2026.
- Chapter IV on the Recovery Expense Fund (REF) reflects the modifications made by SEBI Circular dated November 25, 2025. Issuers must deposit 0.01% of the issue size, subject to a maximum of Rs. 25 lakhs per issuer, with the Designated Stock Exchange. The deposit may be made in cash or cash equivalents, including bank guarantees. Bank guarantees must remain valid until six months after maturity and must be renewed at least seven working days before expiry, failing which they will be invoked.
- In the event of default, the DT or Lead DT may be reimbursed from the REF for specified enforcement and legal expenses without prior approval of debenture holders. Such expenses include obtaining consents, holding meetings, legal fees, court filings and asset recovery services. Debenture holders must be intimated by email and through the DT's website. Utilisation for any other purpose requires prior consent of debenture holders.
- Release from the REF requires an independent auditor's certificate of the expenses incurred, which is verified by the stock exchange. The Designated Stock Exchange must release the amount within five working days.
- Chapter VI now prescribes timelines for issuers to submit reports and certificates to DTs, pursuant to SEBI Circular dated November 25, 2025. The security cover certificate and statements of value of pledged securities and DSRA must be submitted within 60 days of each quarter (75 days for the last quarter). The guarantor's net worth certificate must be submitted half-yearly within 60 days. The guarantor's financials must be submitted annually within 60 days. Valuation and title search reports must be submitted once in three years, within 60 days from the end of the financial year.
- These issuer timelines sit alongside the existing timelines for DTs to submit the corresponding reports to the stock exchange. For the security cover certificate, the DT timeline is 75 days (90 days for the last quarter). For the remaining reports, it is 75 days.



Key Takeaways

- SEBI has issued a revised Master Circular for Debenture Trustees consolidating all applicable circulars as on September 28, 2026, and has rescinded the Master Circular dated August 13, 2025.
- DTs may carry out non-SEBI regulated activities only through ring-fenced Separate Business Units, with separate grievance redressal, records, staff and marketing.
- DTs must make upfront disclosures and obtain stakeholder confirmations for non-SEBI regulated activities, including disclosure that SEBI investor protection mechanisms are not available.
- The deadline for compliance with Regulation 9C of the DT Regulations and the related conditions is October 27, 2026.
- The REF framework permits bank guarantees and reimbursement of specified enforcement expenses without prior debenture holder approval, with release verified through an independent auditor's certificate.
- Issuers must now submit security cover certificates, guarantor certificates and valuation/title search reports to DTs within prescribed timelines, generally 60 days.
- The Master Circular has been issued under Section 11(1) of the SEBI Act, 1992.
- The notification is attached herein.

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