



## **SEBI Extends Timelines for Compliance with Merchant Banker SBU, Net Worth and Liquid Net Worth Requirements**

The Securities and Exchange Board of India (SEBI), vide Circular No. **HO/49/14/15(2)2026-CFD-POD1/I/13567/2026 dated June 11, 2026**, has extended the timelines prescribed under its Circular dated January 2, 2026 for compliance with certain provisions applicable to Merchant Bankers. The relaxation has been granted in light of industry representations highlighting operational challenges in implementing the Separate Business Unit (SBU) framework and the need to align financial compliance requirements with the financial year-end. The circular impacts Merchant Bankers regulated under the SEBI (Merchant Bankers) Regulations, 1992, particularly Regulations 7, 7A, 13A and 45.

### **Analysis**

- The **SEBI (Merchant Bankers) (Amendment) Regulations, 2025**, notified on December 5, 2025, introduced significant regulatory changes including revised net worth and liquid net worth requirements and insertion of **Regulation 13A**, requiring segregation of specified activities through Separate Business Units (SBUs). To operationalise these changes, SEBI had issued a detailed implementation framework through its Circular dated January 2, 2026.
- SEBI has extended the deadline for transfer of activities to Separate Business Units under Regulation 13A (2) and Clause 11.2.1 of the January 2, 2026 Circular from July 3, 2026 to December 31, 2026. The corresponding compliance requirement under Clause 11.2.10 has also been deferred to the same date.
- Merchant Bankers are required to maintain prescribed net worth levels under **Regulation 7** of the SEBI (Merchant Bankers) Regulations, 1992. SEBI has postponed:
  - **Phase I compliance** from January 2, 2027 to March 31, 2027.
  - **Phase II compliance** from January 2, 2028 to March 31, 2028.
- Compliance with liquid net worth requirements under Regulation 7A has similarly been extended:
  - **Phase I compliance** from January 2, 2027 to March 31, 2027.
  - **Phase II compliance** from January 2, 2028 to March 31, 2028.
- The deadline for intimation to SEBI regarding categorisation as Category I or Category II Merchant Banker has been shifted from January 2, 2027 to March 31, 2027.



- The circular has been issued under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 45 of the SEBI (Merchant Bankers) Regulations, 1992.
- Merchant Bankers receive an additional six months to establish governance, compliance, accounting, information barriers and operational infrastructure necessary for implementation of the SBU framework.
- The extension provides additional time for capital planning and infusion to meet enhanced net worth and liquid net worth thresholds prescribed under Regulations 7 and 7A.
- Alignment of compliance deadlines with March 31, being the end of the financial year, is expected to facilitate easier financial reporting, audit certification and regulatory compliance monitoring.
- Merchant Bankers that were facing implementation challenges due to system changes, organisational restructuring or capital adequacy requirements can now undertake a phased transition without disrupting ongoing business operations.
- While the specified timelines have been extended, all other requirements under the January 2, 2026 Circular continue to remain applicable and must be complied with as originally prescribed.
- **Key Takeaways**
  - SEBI has extended key compliance deadlines relating to SBU implementation, net worth and liquid net worth requirements applicable to Merchant Bankers.
  - The revised timelines primarily shift compliance milestones to December 31, 2026 and March 31 of the respective financial years, providing regulatory alignment with year-end reporting.
  - Merchant Bankers should utilise the additional transition period to complete operational restructuring, strengthen compliance frameworks and ensure readiness for enhanced capital adequacy requirements.
  - The circular has been issued under Section 11(1) of the SEBI Act, 1992 read with Regulation 45 of the SEBI (Merchant Bankers) Regulations, 1992.
- The notification is attached herein.

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