

SEBI Notification - SEBI (Debenture Trustees) (amendment) regulations, 2025 – 27th October 2025

SEBI has amended the Debenture Trustees Regulations, 1993 to expand the permissible activities of debenture trustees (DTs), align trust deed requirements with the Companies Act, 2013 and NCS Regulations, 1993 and strengthen their rights and operational safeguards.

Key amendments include:

- 1. Definition update** – A new clause (aaa) in regulation 2 defining “Board” (i.e., SEBI) has been inserted for clarity.
- 2. New Regulation 9C – Permitted Activities:**
 - Debenture Trustees are now allowed to undertake activities:
 - which fall under the purview of any other financial sector regulator specified by the SEBI, in accordance with the regulations or guidelines issued by such financial sector regulator; and/or
 - activities that do not fall under the purview of the Board or any other financial sector regulator, which shall be fee-based, non-fund based and pertain to the financial services sector;
 - Such activities must be conducted on an arm’s-length basis through separate business units.
 - If the Debenture Trustees is also regulated by the RBI, it must conduct Debenture trustee activity separately.
 - Existing DTs must reorganize their activities into separate business units within 6 months or such other period as extended by SEBI.
 - The Debenture Trustees net worth must be ring-fenced to protect against risks from other business activities.
- 3. Regulation 14 (Substituted):**
 - Trust deeds must conform to the Companies Act, 2013 (Section 71) and Form SH-12 as per the *Companies (Share Capital and Debentures) Rules, 2014*, and be executed in the format and timeline specified by SEBI under the NCS Regulations, 2021.
 - Deviations from the prescribed format are permitted only if a deviation summary sheet with rationale is disclosed in the offer document.
- 4. Regulation 15(5) omitted:** Likely removes redundant compliance provisions to streamline obligations.
- 5. New Regulation 15A – Enhanced Rights of Debenture Trustees:**
 - Debenture Trustees can inspect issuer’s books, records, and trust property to discharge their duties.
 - They can call for information and documents from issuers and specified intermediaries.
 - They may utilize the Recovery Expense Fund with debenture holders’ consent, as per SEBI norms.

Impact:

Impact Analysis Operational Flexibility:

Debenture trustees can now diversify into related financial services, improving revenue opportunities, provided there is clear separation of business units and compliance with SEBI’s safeguards.

Enhanced Governance and Risk Management:

Ring-fencing of net worth and segregation of business units ensures investor protection and prevents conflict of interest.

Improved Investor Protection:

Expanded inspection and information rights empower Debenture Trustees to monitor issuers more effectively and take prompt action in case of covenant breaches or default risks.

Regulatory Alignment:

Amendments align SEBI regulations with the *Companies Act, 2013* and *SEBI (NCS) Regulations, 2021*, ensuring uniformity in documentation and disclosures.

Transparency in Trust Deed Deviations:

Mandatory deviation summary enhances disclosure to investors and regulators, ensuring accountability of issuers and trustees.