SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts) (Amendment) Regulations, 2026

SEBI has amended the regulations governing securitised debt instruments and security receipts to strengthen governance and avoid conflicts of interest.

Key Changes

- **Restriction on SPV Acquisitions:** A Special Purpose Vehicle (SPV) is prohibited from acquiring any debt or receivables from an originator that:
    - is under the control of the trustee; or
    - belongs to the same group as the trustee.
- **Board Representation Limits:** Where the originator is an entity regulated by the Reserve Bank of India (RBI), it cannot have **more than one representative on the board** of the relevant entity.

Objective

- Enhance independence between trustees, originators, and SPVs.
- Prevent potential conflicts of interest in securitisation transactions.
- Strengthen governance, transparency, and investor protection in the securitisation market.

One-Line Summary

SEBI has barred SPVs from acquiring assets from originators linked to or controlled by the trustee and has limited RBI-regulated originators to a single board representative to improve governance and reduce conflict-of-interest risks.

Why is this Restriction Important?

The amendment is aimed at strengthening **independence, governance, and investor protection** in securitisation transactions.

1. Prevents Conflict of Interest

If an SPV acquires receivables from an originator that is controlled by or belongs to the same group as the trustee, the trustee may not be able to act independently while safeguarding investors' interests. The restriction creates a clear separation between the parties involved.

2. Enhances Trustee Independence

Trustees are expected to act as neutral fiduciaries for investors. By preventing transactions involving related originators, SEBI reduces the risk of trustees approving or overseeing transactions that may favor their own group entities rather than investors.

3. Reduces Risk of Self-Dealing

Without such restrictions, group entities could structure transactions that transfer low-quality assets within the same group, potentially masking credit risks. The amendment helps ensure that securitisation transactions are conducted on an arm's-length basis.

4. Strengthens Investor Confidence

Investors in securitised debt instruments rely on the quality of the underlying receivables and the integrity of the transaction structure. Stronger governance safeguards improve transparency and confidence in the securitisation market.

5. Improves Board Oversight

The new provision limiting an RBI-regulated originator to **only one representative on the board** prevents excessive influence over the SPV or related entity. This promotes:

- Independent decision-making.
- Better corporate governance.
- Reduced dominance by the originator in matters affecting investors.

Practical Impact

- Trustees must review group relationships and control structures before approving acquisitions by SPVs.
- Originators will have reduced ability to influence board decisions.

- Investors gain greater assurance that securitised assets are selected and monitored independently.

One-Line Takeaway

SEBI introduced these restrictions to eliminate conflicts of interest, ensure trustee independence, strengthen corporate governance, and enhance investor protection in securitisation transactions.

Benefits for Investors

SEBI's amendment provides several important protections for investors in securitised debt instruments.

1. Stronger Protection Against Conflict of Interest

By prohibiting SPVs from acquiring receivables from originators that are part of the trustee's group or under the trustee's control, SEBI reduces the risk of related-party transactions that could disadvantage investors. This helps ensure that investment decisions are made independently and in investors' best interests.

2. Better Asset Quality Assurance

The restriction makes it more difficult for connected entities to transfer potentially weaker or riskier assets into securitisation structures. Investors can therefore have greater confidence that the underlying receivables have been selected through a more objective process.

3. Improved Trustee Independence

Trustees serve as fiduciaries for investors. By creating separation between trustees and originators, the amendment enhances the trustee's ability to monitor transactions, enforce obligations, and protect investor interests without undue influence.

4. Enhanced Corporate Governance

Limiting an RBI-regulated originator to only one board representative prevents excessive influence over the entity involved in the securitisation structure. This promotes balanced decision-making and stronger oversight.

5. Greater Transparency

A clearer separation among originators, trustees, and SPVs improves transparency in transaction structures, allowing investors to better assess risks and rely on the integrity of the securitisation process.

6. Increased Market Confidence

Robust governance standards help improve trust in securitised debt instruments and security receipts, which can lead to greater investor participation and a more stable securitisation market.

One-Line Summary

For investors, the amendment reduces conflicts of interest, strengthens governance and trustee independence, improves transparency, and provides greater confidence in the quality and fairness of securitisation transactions.