भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

HO/17/11/24(1)2026-DDHS-POD1/I/18526/2026 **August 11, 2026**

To,

All Issuers who have listed/ propose to list municipal debt securities (listed entities)

All Recognized Stock Exchanges,

All Recognized Depositories,

All Registered Merchant Bankers

Madam/ Sir,

Subject: <u>Amendment to SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 ("ILMDS Regulations")</u>

1. SEBI had constituted a Working Group ("WG") in August 2024 to provide suggestions and recommendations in respect of changes required in the regulatory framework for municipal debt securities. Based on the recommendations of the WG and public comments received on the same, certain amendments to the ILMDS Regulations were notified vide Gazette Notification SEBI/LAD-NRO/GN/2026/305 dated July 08, 2026 ["SEBI (Issue and Listing of Municipal Debt Securities) (Amendment) Regulations, 2026"]. Further, changes to the extant framework for municipal debt securities in respect of certain operational aspects are being specified through this circular.

2. **Face value of municipal debt securities:**

   2.1. Regulation 22 of the ILMDS Regulations provides that *"The face value of municipal debt securities shall be disclosed in offer document or placement* *memorandum in the manner as specified by the Board".* Accordingly, the following is being specified in respect of the face value of municipal debt securities issued on private placement basis:

i. The face value of each municipal debt security shall be Rs. One Lakh or Rs. Ten Thousand, as deemed fit.

ii. The municipal debt security issued at a face value of Rs. Ten Thousand shall have a fixed maturity and shall be without any structured obligations.

iii. The trading lot of the listed municipal debt security issued on private placement basis, traded on a Stock Exchange, shall always be equal to the face value of such security.

iv. The requirements related to face value specified above are applicable only for privately placed municipal debt security and not for public issues.

3. **Two-step escrow account mechanism in case issuer is a pooled finance vehicle:**

3.1. SEBI Circular No. SEBI/HO/DDHS/CIR/P/134/2019 dated November 13, 2019 ("**Circular**"), inter alia, specifies requirements related to the escrow payment mechanism for issuers of municipal debt securities. In case the listed entity is a pooled finance vehicle/ Special Purpose Vehicle (SPV) set up under the Pooled Finance Development Fund Scheme of the Government, a "two-step escrow account mechanism" shall ensure timely repayment of interest/ redemption to the investors. Accordingly, it has been decided to insert the following provisions in the Circular, after paragraph 4.1.4:

"4.1.5. In case the listed entity is a pooled finance vehicle/ Special Purpose Vehicle (SPV) set up under the Pooled Finance Development Fund Scheme of the Government of India, the constituent municipalities are required to create all the above accounts and comply with the requirements specified for the same.

Further, the SPV/ pooled finance vehicle shall maintain an "Interest payment account" and a "Sinking fund account", to which funds from the respective "Interest payment account" and "Sinking fund account" maintained by the constituent municipalities shall be transferred, as per the agreement between the SPV and the constituent municipalities. The SPV/ pooled finance vehicle shall throughout the tenure of the municipal debt securities maintain an amount equivalent to one year interest obligation in the Interest payment account.

4.1.6. The SPV/pooled finance vehicle may include following forms of credit enhancement to enhance credit rating and provide greater protection to investors:

i. Additional cash collateral
ii. Program equity by the state government
iii. Access to state finance commission devolutions to ULBs
iv. Full or partial credit guarantee from a high rated development finance institution (DFI) or multilateral institution"
v. Any other appropriate credit enhancement structure

4. **Timelines for submission of financial results to the stock exchange(s):**

4.1. The said Circular also specifies the following timelines in respect of submission of financial results to the stock exchange(s) by the municipalities:

*"**2.1.1. Half Yearly Unaudited Financial results***

(a) The listed entities shall prepare and submit half yearly un-audited financial results to the stock exchange as soon as the same are available but within forty five days of the end of the first half year.

2.1.2. Annual Audited Financial results

(a) The listed entities shall submit annual audited financial results for the financial year, within sixty days from the end of the financial year along with the audit report."

4.2. Considering the practical challenges faced by municipalities during data collection, interdepartmental coordination and meeting disclosure requirements, so as to comply with the above timelines, it has been decided to relax the said timelines as under:

*"**2.1.1. Half Yearly Unaudited Financial Results***

(a) The listed entities shall prepare and submit half yearly un-audited financial results to the stock exchange as soon as the same are available but within <u>sixty days</u> of the end of the first half year.

2.1.2. Annual Audited Financial Results

(a) The listed entities shall submit annual audited financial results for the financial year, within <u>ninety days</u> from the end of the financial year along with the audit report."

5. The provisions of this circular shall be applicable with immediate effect.

6. The Circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 29 of SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 to protect the interest of investors in securities and to promote the development of, and to regulate the securities market.

7. This Circular is available at www.sebi.gov.in under the link "Legal → Circulars".

Yours faithfully,

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