

Permitting debt issuers to offer incentives in public issues to certain category of investors

1. Objective

1.1. This Board Memorandum proposes an amendment to Regulation 31 of the SEBI (Issue and Listing of Non-Convertible Securities) Regulations 2021 (“**NCS Regulations**”) to permit debt issuers to offer incentives in public issues to certain category of investors in order to encourage them to invest in debt securities, thereby promoting the development of bonds market.

2. Background

2.1. SEBI has been receiving feedback from the industry for increasing participation of retail investors in the debt market. During discussions held with SEBI, a few market participants proposed to permit debt issuers to offer incentives in public issues to certain category of retail/ individual investors in order to encourage them to invest in debt securities.

2.2. Upon analysis of recent data in respect of public issuance of NCDs, it is observed that the amount of public debt issues has been low and reduced from Rs. 19,168 Crore in FY 2023-24 to Rs. 8,149 Crore in FY 2024-25 [Source: SEBI Annual Report 2024-25], which emphasizes the need to attract retail participation in debt market through public issuance mode.

3. Relevant regulatory provision

3.1. Regulation 31 of SEBI (Issue and Listing of Non-Convertible Securities) Regulations 2021 (“NCS Regulations”) provides as under:

“Prohibition on payment of incentives

31. Any person connected with the issue shall not offer any incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise to any person for making an application in the issue, except for fees or commission for services rendered in relation to the issue.”

4. Need for review:

4.1. Comparable fixed income products for retail investors offer incentives like higher interest rates for certain categories of investors. In order to make debt securities attractive for retail investors, it is proposed to permit issuers to offer incentives to categories of allottees like senior citizens, women, armed forces personnel (viz. serving Defence personnel, ex-servicemen and widows of ex-servicemen) and retail subscribers to encourage retail participation in debt securities, while providing a fillip to the number of public issuances in the debt market.

4.2. **Similar offerings in Securities market:** In case of Offer for Sale (OFS) of shares by promoters through Stock Exchange mechanism, SEBI has permitted the seller to offer discount to retail investors. The details of discount and percentage of reservation for retail investors are required to be disclosed upfront in the notice of OFS to the exchange.

4.3. **Similar offerings in Banking sector:** It is a common practice for all major banks (SBI, HDFC, ICICI, etc.) to offer higher interest rates on Fixed Deposits (FDs) to senior citizens. Further, certain banks and NBFCs (e.g. Indian Bank, Shriram Finance Ltd.) also offer higher interest rates on FDs to women depositors.

4.4. **Similar offerings in non-financial sector:** Armed forces personnel are entitled to financial incentives in the form of discounts on domestic travel through various Indian airlines and travel portals, with offers on base fares, waived convenience fees, and extra baggage allowances.

4.5. Based on the aforementioned similar precedent/ practices in the securities market/ banking sector/ non-financial sector, it is felt that offering incentives to certain category of investors, (to begin with, viz. senior citizens, women, armed forces personnel and retail subscribers) for subscription in debt securities will enhance the competitiveness of debt securities for the said class of investors, which in turn may increase their participation in debt securities and, thereby, provide a fillip to

the number of public issuances in debt market. Based on the experience gained, the categories may be further broadened in future.

5. Public consultation

5.1. SEBI issued a consultation paper titled “Consultation for permitting debt issuers to offer incentives in public issues to certain category of investors” on October 27, 2025. The last date for receiving public comments was November 17, 2025. A copy of the consultation paper is enclosed as **Annexure A**. The Consultation paper sought public comments on the following proposal:

5.1.1. Permit issuers to offer incentives in the form of higher coupon rate or discount to the issue price to certain categories of allottees like senior citizens, women, armed forces personnel (viz. serving Defence personnel, ex-servicemen and widows of ex-servicemen), retail subscribers or any other category of investors as may be specified by SEBI from time to time.

5.1.2. The higher coupon rate shall be available only to the initial allottee and shall not be available in case the bonds are transferred/ transmitted.

5.2. A total of 16 entities responded to the consultation paper with their views/ inputs/ suggestions. The respondents include investors, Stock Exchange, listed entities, law firms, stock brokers and Registrar and Transfer Agent (RTA). A summary of the public comments received on the said consultation paper is as under:

Proposal	No. of people/entities agreeing to the proposal					
	Strongly Agree	Agree	Partially Agree	Disagree	Strongly Disagree	Total
Whether it would be appropriate for issuers to offer higher coupon rate or discount to the issue price to certain categories of investor, but limited to the initial allottee only? If yes, which categories of investors may be permitted for the same?	4	8	3	0	1	16

5.3. While a majority of the respondents have agreed with the proposal, they have made additional suggestions related to the proposal. One respondent, mentioned in the “Strongly Disagree” category in the table above, has cited operational challenges with regard to implementation of the proposal, rather than disagreeing with the proposal per se. The detailed comments/ rationale received, along with SEBI’s views on the same, are placed at **Annexure B**.

6. Comments of Corporate Bonds & Securitization Advisory Committee (CoBoSAC):

The proposed amendment, along with the analysis of the public comments and SEBI’s views thereon, was placed for consideration of the members of CoBoSAC during the meeting held on November 26, 2025. While agreeing with the proposals, CoBoSAC suggested that instead of specifying “a higher coupon rate”, the proposal may specify offering of additional incentive/ interest. Further, it was suggested to use the definition of “retail individual investor” for debt securities as provided under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

7. Revised proposal:

7.1. After taking into account public comments and feedback of CoBoSAC, the proposal has been revised. Accordingly, it is proposed to amend the NCS Regulations, as given below:

S. No.	Extant Regulation 31	Proposed Regulation 31*
1.	<i>Prohibition on payment of incentives</i> <i>31. Any person connected with the issue shall not offer any incentive, whether direct or indirect, in any manner, whether in</i>	<i>Prohibition on payment of incentives</i> <i>31. Any person connected with the issue shall not offer any incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise to any person for making an application in the issue, except for fees or</i>

	<p><i>cash or kind or services or otherwise to any person for making an application in the issue, except for fees or commission for services rendered in relation to the issue.</i></p>	<p><i>commission for services rendered in relation to the issue.</i></p> <p><i>Provided that nothing contained in this regulation shall preclude the issuer from offering an incentive in the form of additional interest or a discount to the issue price to certain categories of allottees, namely, senior citizens, women, armed forces personnel namely, serving and retired defense personnel and widows and widowers of such personnel, retail individual investors or any other category of investors as may be specified by the Board from time to time.</i></p> <p><i>It is clarified that such incentive shall be available only to the initial allottee and shall not be available in case the debt securities are transferred/ transmitted post allotment.</i></p>
	Extant Regulation	Proposed Regulation 2 (1) (gga)
2.	Nil	<i>“Retail individual investor” means an individual investor who applies or bids for debt securities for a value of not more than two lakhs rupees.</i>

*Note: Additions (proviso to Regulation 31) are in bold in the table.

7.2. Further, the following definition of “retail individual investor” may be inserted under Regulation 2 of the NCS Regulations:

“Retail individual investor’ means an individual investor who applies or bids for debt securities for a value of not more than two lakhs rupees.”

8. Proposal to the Board:

8.1. The Board is requested to:

8.1.1. consider and approve the proposal as detailed in para 7 above and the consequent draft amendment notification enclosed as **Annexure C**;

8.1.2. authorize the Chairman to make consequential and incidental changes and take necessary steps to give effect to the decisions of the Board.

Enclosed.:

- 1. Annexure A to Board Memorandum**
- 2. Annexure B to Board Memorandum**
- 3. Annexure C to Board Memorandum**

Available on SEBI website

<https://www.sebi.gov.in/reports-and-statistics/reports/oct-2025/consultation-paper-for-permitting-debt-issuers-to-offer-incentives-in-public-issues-to-certain-category-of-investors-97452.html>

Annexure B

S. No.	Public Comment	Rationale	SEBI comments
1.	<p>Yes, it would be appropriate for issuers to offer a higher coupon rate or discount to the issue price to certain categories of investors in order to incentivize participation and broaden the investor base in public debt issuances.</p> <p>In addition to the categories suggested in paragraph 2.4.7 of the consultation paper, we propose including the following category: “existing retail debenture holders of the issuer (i.e. individual debenture holders who in aggregate holding less than ₹5 lakh face value of debentures of the company issued on public issue basis).”</p> <p>The updated proviso to Regulation 31 of the SEBI NCS Regulations may read as follows: “Provided that nothing contained above shall preclude the issuer from offering a higher coupon rate or discount to the issue price to certain categories of allottees like senior citizens, women, armed forces personnel (viz. serving Defence personnel, ex-servicemen and widows of ex-servicemen), existing retail debenture holders of the issuer(i.e. individual debenture holders who in aggregate</p>	<p>The inclusion of this category will enable issuers to extend the benefits of incentives to existing retail investors, in order to reward such investors and ensure that retail investors continue to hold debt securities in the issuer company. By allowing issuers to offer incentives to existing retail debenture holders, SEBI can: • Encourage greater retail participation in public debt markets. • Enhance investor confidence and loyalty. • Deepen the public debt market by sustaining retail investors" interest in the instrument so that they hold the debt securities for long term and do not invest for immediate gains only. This measure aligns with SEBI’s objective of promoting wider access and inclusivity in the public debt market.</p>	<p>The respondent, while strongly agreeing with the proposal, has suggested one additional category of investors for offering incentives, i.e. "existing retail debenture holders of the issuer".</p> <p>Since the intent of the proposal is to encourage wider participation in the debt market by certain under-represented categories of investors, it would not be appropriate to restrict the incentives to existing debenture holders of the company.</p>

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	<p>holding less than ₹ 5 lakh face value of debentures of the company issued on public issue basis), retail subscribers or any other category of investors as may be specified by the Board from time to time. Provided further that the higher coupon rate shall be available only to the initial allottee and shall not be available in case the bonds are transferred/ transmitted.”</p>		
2.	<p>1. Since differential coupon structures may require multiple ISINs for the same issuance, SEBI should clarify or revise the existing ISIN cap framework (w.r.t. limit of maximum number of ISINs maturing in any financial year) under Chapter VIII of the Master Circular read with Regulation 17 of NCS Regulations. This will help avoid technical non-compliance by issuers.</p> <p>2. The higher coupon benefit shall be allowed to continue where securities are transferred within the same category of investor class (e.g. senior citizen to senior citizen etc.) to maintain fairness and protect the intent of incentivising specific categories. This will also avoid unintended investor disadvantage.</p> <p>3. The higher coupon benefit</p>	<p>1. Since differential coupon structures may require multiple ISINs for the same issuance, SEBI should clarify or revise the existing ISIN cap framework (w.r.t. limit of maximum number of ISINs maturing in any financial year) under Chapter VIII of the Master Circular read with Regulation 17 of NCS Regulations. This will help avoid technical non-compliance by issuers. 2. The higher coupon benefit shall be allowed to continue where securities are transferred within the same category of investor class (e.g. senior citizen to senior citizen etc.) to maintain fairness and protect the intent of incentivising specific categories. This will also avoid unintended investor disadvantage. 3. The higher coupon benefit may continue in case of legitimate transmission to legal heirs to prevent misuse or retention of deceased investors’ demat accounts and ensure proper reporting of such events. This supports responsible compliance and investor protection.</p>	<p>1. The issue regarding review of the existing ISIN cap framework may be examined separately.</p> <p>2. The intent of the proposal is to encourage retail participation in public debt issues. Permitting the incentives to extend to transferee investors, even though within the same category, may lead to churning in the market. It may also create price distortion and difficulty in selling bonds that do not carry the incentives. Therefore, incentives may only be offered to the original allottee of the issue.</p>

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	<p>may continue in case of legitimate transmission to legal heirs to prevent misuse or retention of deceased investors' demat accounts and ensure proper reporting of such events. This supports responsible compliance and investor protection.</p>		<p>3. Since the intent of the proposal is to incentivise only select categories of investors so as to encourage their participation in the debt market, it would not be appropriate to extend the incentive to the legal heirs (who may or may not belong to the incentive-eligible category) post transmission of securities. Therefore, incentives may only be offered to the original allottee of the issue.</p>
3.	<p>1. Since differential coupon structures may require multiple ISINs for the same issuance, SEBI should clarify or revise the existing ISIN cap framework (w.r.t. limit of maximum number of ISINs maturing in any financial year) under Chapter VIII of the Master Circular read with Regulation 17 of NCS Regulations. This will help avoid technical non-compliance by issuers.</p> <p>2. The higher coupon benefit may be allowed to continue where securities are transferred within the same eligible investor</p>	NA	<p>Suggestion same as at S. No. 2 above.</p>

S. No.	Public Comment	Rationale	SEBI comments
	<p>class (e.g. senior citizen to senior citizen etc.) to maintain fairness and protect the intent of incentivising specific categories. This will also avoid unintended investor disadvantage.</p> <p>3. The higher coupon benefit may continue in case of legitimate transmission to legal heirs to prevent misuse or retention of deceased investors' demat accounts and ensure proper reporting of such events. This supports responsible compliance and investor protection.</p>		
4.	<p>Our response is divided into two parts, namely:</p> <p>Part I - Our views on whether incentives should be provided in public issuances and, if so, the categories of investors that may be considered eligible.</p> <p>Comment - Yes, it would be appropriate for issuers to offer such incentives and these must be available only to the initial allottee. To deepen retail participation, such incentives should be made available to: (a) all retail investors, including individuals and HUFs as retail investor participation in debt issuances continues to remain below 5% of issue size unlike retail participation in equity IPOs; (b) to senior citizens,</p>	<p>Part II: Owing substantially to SEBI's regulatory reforms related to OBPP framework, OBPPs have become the central access point for retail investors entering the debt market. OBPP framework was created with the explicit objective of democratizing access to listed debt securities and enabling transparent, tech-enabled participation. Retail investors interact far more frequently with OBPPs than with public debt issuances. In fact, OBPPs facilitate retail bond transactions over INR 2,000 Cr monthly, demonstrating that meaningful retail interest is already concentrated within OBPP led distribution. If incentivisation is intended to increase retail participation, then excluding OBPP-driven private placements effectively excludes the very channel currently</p>	<p>Part I: The respondent is in agreement with the proposal.</p> <p>Part II: The respondent has suggested that incentives to specified categories of retail investors may be offered by OBPPs directly, not by the issuer, for privately placed issuances. However, the same may result in differentiated offerings for same issuance across various OBPPs. Further, since private</p>

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	<p>women and defence personnel as these are least represented among the investor base of bonds today.</p> <p>Part II - Our suggestion on extending a similar flexibility to privately placed issuances, which currently accounts for over 90% of all debt issuances and would further SEBI's objective of deepening retail participation in the bond/debt market.</p> <p>Comment - Private placement of bonds is expected to be a significantly larger share of the total value of bonds issued in the country because of multiple reasons including: issuer preference for private placement over public offers; availability of broader breadth of bonds in terms of credit ratings, coupon structures, and tenors and; emergence of multiple OBPPs offering convenient, digital and low cost execution channel for retail investors. To facilitate this, our humble recommendation is to allow Online Bond Platform Providers (OBPPs), at their discretion, to offer incentives to special categories of retail investors, namely, Senior Citizens, Women, Defence Personnel. For clarity, such incentives would be extended</p>	<p>seeing early-stage success in driving retail participation. As per SEBI's survey, the participation and awareness in bonds remain extremely limited. To drive higher retail participation, an incentive structure cannot exclude private placements offered via OBPP platforms. Moreover, both public and privately placed listed NCDs now follow near-identical disclosure, documentation, governance, and listing requirements. Applying incentives uniformly across public issues and listed private placements (by OBPPs) preserves regulatory coherence and helps ensure that the benefits intended for retail investors are not accidentally restricted by the issuance format chosen by issuers. Thus, such incentives should be extended directly by OBPPs to eligible investors and not by the issuer as: 1. OBPPs Already Possess the Operational Infrastructure Needed to Administer Incentives - OBPP products operate within regulatory discipline equivalent to public issues. OBPPs are required to: conduct full KYC and AML checks, verify investor eligibility and categorisation, collect and maintain audit logs, provide transparent disclosures, use standardized workflows mandated under the OBPP framework. OBPPs already have the entire infrastructure to implement such incentives, in a controlled, verifiable and fully audit-</p>	<p>placements are offered on pre-negotiated terms to identified groups of investors, stipulation of special incentives to certain categories may not be required. Therefore, we may permit the offer of incentives only in case of public issues.</p>

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	<p>directly by the OBPP to eligible investors and not by the issuer.</p>	<p>ready manner. Operationally, OBPPs can also capture eligibility documentation digitally, automatically assign appropriate coupon or pricing slabs, ensure compliance at the allotment stage and maintain immutable logs for regulatory review. 2. No Dilution of Investor Protection - Extending the incentive framework to OBPP-distributed private placements does not - reduce disclosure levels, alter risk profile, introduce differential rights beyond permitted coupon/price benefits, compromise investor protection. It operates on the same listing, documentation, and regulatory oversight as public issuances. Retail investors receive identical protections, and issuers operate within the same regulatory environment. The only difference is better engagement and more effective distribution, which is the intended goal of the consultation itself.</p>	
5.	<p>1. Such incentives should be introduced in privately placed non-convertible securities in addition to public issuances.</p> <p>2. Further the second paragraph of the proposed proviso to Regulation 31 should be deleted. [i.e. the higher coupon rate shall be available only to the initial allottee and shall not be</p>	<p>Incentives in the form of a higher coupon rate in private placements may be offered to certain categories of new investors such as senior citizens, women, armed forces personnel and retail subscribers based on such incentives being incorporated within the disclosure documents by the respective issuers and consequently by online bond platform providers (OBPP). Higher coupon rate may also be offered to existing holders of securities of</p>	<p>1. Since private placements are offered on pre-negotiated terms to identified groups of investors, stipulation of special incentives to certain categories may not be required. Therefore, we may permit the offer of incentives only in case of public issues.</p>

S. No.	Public Comment	Rationale	SEBI comments
	available in case the bonds are transferred/ transmitted]	<p>issuers should they hold the securities till the relevant record date under the new issuance. Retail participation in the debt market has received a boost since the recent reduction in the face of debt securities in private placements to Rs. 10,000. Acting as a precursor to participation in public issues, incentives in privately placed debt issuances will lead to more confidence among retail investors and hence entail further growth of the debt market (in both private and public issuances). In order to determine the persons who should receive such incentives (senior citizens, women, armed forces personnel etc.) the Issuers can, with the help of Depositories, capture the investor data and provide the same on the basis of their registered PAN.</p> <p>Further, with respect to the proposed addition of the proviso under Regulation 31, the insertion of the second paragraph would not be fruitful since bonds are listed securities and hence freely transferable. Therefore, in order to align with the intent of the consultation paper, all security holders as on each record date (and not just the initial allottee) should be eligible for the incentive as may be disclosed in the offer document. The determination as to the eligibility may be done as per the Depository</p>	<p>2. Permitting the incentives to extend to transferee investors, even though within the same category, would create complexities such as market fragmentation between incentive-eligible and incentive-ineligible investors, price distortion and difficulty in selling bonds that do not carry the incentives, etc. Therefore, incentives may only be offered to the original allottee of the issue.</p>

S. No.	Public Comment	Rationale	SEBI comments
		mechanism mentioned above for private placements.	
6.	It may also include other categories like employee quota and shareholder quota as is available for equity IPO	Since the broader aim is trying to get the discount at par with the practices used in providing discounts to retail investors it may be fair to include employees and existing shareholders	Since the intent of the proposal is to encourage wider participation in the debt market by certain identified under-represented categories of investors, it would not be appropriate to extend the incentives to other categories like employees and shareholders.
7.	<p>Option 1</p> <p>The public issuer of securities should be empowered to propose additional category of investor eligible to receive incentives subject to the provision of a clear and appropriate categories. Such category must be transparently disclosed in the offer document to ensure full investor awareness and regulatory compliance. Moreover this proposal for additional eligible investor categories should be subject to SEBI scrutiny review and approval during the offer document vetting process to safeguard the integrity of the issuance as per regulation 22 26 of SEBI Issue and Listing of Securitised Debt Instrument and Security Receipts</p>	<p>1. Market Liquidity and Debt. This will encourage market liquidity. Permitting incentives exclusively to original allottees may inadvertently discourage active participation in secondary market trading as it restricts the transferability of benefits and hence reduces market liquidity. Fixed Deposits are not tradable instrument while Bonds or NCDs are tradable instrument. The purpose of rewarding certain category of investors shall get hampered by limiting the benefits of initial allottees. It should be available to identified category of investors irrespective of mode of acquisition to increase participation. The same was also followed by all PSU users while issuing tax free bonds in the past. By allowing these incentives to apply to eligible holders as of the record date proposals promote both enhanced</p>	<p>1. Since the intent of the proposal is to encourage wider participation in the debt market by certain identified under-represented categories of investors, it would not be appropriate to extend the incentives to other categories of investors at the discretion of the issuer.</p> <p>2. Considering the comments provided, we may modify the proposal to specify "retail individual investor" instead of "retail investor".</p>

S. No.	Public Comment	Rationale	SEBI comments
	<p>Regulations 2008 last amended on May 05 2005.</p> <p>Option 2</p> <p>In above amendment to NCS Regulations please include Individual and HUF subscribers instead of retail subscribers. Also we would suggest including employees of issuer companies in the category of subscribers for offering higher coupon rate or discount in similar way how currently companies during their primary equity public issue are offering document on issue prices to their employees eg. lenskart LG electronics etc. as per regulation 33 1 on page 41 of SEBI Issue of Capital and Disclosure Requirements Regulations 2018 last amended on Nov 01 2025. It is also suggested that the incentives extended to investors should continue to apply to all investors holding the securities as on the relevant record date. This continuation should be conditional upon the investors maintaining their eligibility under the specified category including where securities are transmitted due to succession or legal transfer thereby ensuring fairness and administrative clarity. Higher coupon rate should be available</p>	<p>liquidity and market debt encouraging a more vibrant secondary market environment. 2. Individual Investor Retention. This approach encourages identified investor retention by providing them a sustained financial motivation not only to subscribe at issuance but also to continue holding the securities. Sustained holding behavior contributes to a more stable and loyal investor base which is crucial for the long term development of the debt securities market and diversification of investor participation in Bond Market. 3. Transmission Scenarios. Recognizing continued eligibility for investor incentives in transmission scenarios such as transfers to legal heirs or nominees due to death or succession ensures fairness within the incentive framework. This approach prevents penalizing investors for life events beyond their control thereby upholding equitable treatment. Maintaining incentives eligibility in such cases respects the continuity of investor rights and provides consistent benefits to rightful successors reinforcing investor confidence and trust in market. 4. Regulatory Oversight. SEBI mandatory review and approval during the offer document vetting process introduced a robust control mechanism mitigating the risk of misuse. This oversight protects the interests of all market participants by ensuring and upholding the market</p>	<p>[Regulation 30 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 also provides for differential pricing of issues for retail individual investors.]</p> <p>Since the intent of the proposal is to encourage wider participation in the debt market by certain identified under-represented categories of investors, it would not be appropriate to extend the incentives to other categories like employees of the issuer.</p> <p>Permitting the incentives to extend to transferee investors, even though within the same category, would create complexities such as market fragmentation between incentive-eligible and incentive-ineligible investors, price distortion and difficulty in selling</p>

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	<p>to all categories of investors on relevant record date irrespective of initial allottee or not. Clause for payment of such interest were observed in shelf prospectus of Power Finance Corporation Tranche 1 issue of Tax Free Bonds dated 22nd september 2015. The clause on page 67 of shelf prospectus is reproduced as below. Clause 10.1 a The coupon rates indicated under Tranche 1 Series 1B Tranche 1 Series 2B and Tranche 1 Series 3B shall be payable only on the Portion of Bonds allotted to Category IV in the Tranche 1 Issue. Such coupon is payable only if on the record date for payment of interest the Bonds are held by investors falling under Category IV. Clause 10.1 c Bonds allotted against Tranche 1 Series 1B Tranche 1 Series 2B and Tranche 1 Series 3B shall continue to carry the specified coupon rate if on the Record Date for payment of interest such Bonds are held by investors falling under Category IV. The same was pursuant to clarification received from CBDT vide Notification Number 59 2015 dated 6th July 2015 where in Clause 4 vii states the higher rate of interest applicable to RIIs shall not be available in case the bonds are</p>	<p>integrity and investor protection. 5. Operational Feasibility. Eligibility verification based on the record date is operational practical and efficient due to existing infrastructure such as depository participant records and investor KYC databases. Depositories maintain accurate and up to date holdings data enabling seamless identification of eligible investors on the record date. The same has been established and proven in tax free bonds when additional incentives was provided to individual investors whether applied in primary public issue or acquired through secondary markets.</p>	<p>bonds that do not carry the incentives, etc. Therefore, incentives may only be offered to the original allottee of the issue.</p>

S. No.	Public Comment	Rationale	SEBI comments
	transferred by RIs to non retail investors.		
8.	<p>Comment 1: The higher coupon rate to be allowed for certain categories of investors should be allowed not only for initial allottees but also for the same category of investors , who were originally eligible for higher coupon , purchasing debt securities through secondary market and holding the same as on Record Date for payment of interest.</p> <p>Comment 2: A. The categories of investors who should be given eligibility for higher coupon rate are as follows: 1. Individual investors - Restricting to Retail Investors will exclude HNI investors who has larger stake in fixed deposit market. 2. Senior Citizens 3. Women Investors 4. Employees of Issuer Companies 5. Armed Forces Personnel and their spouse including retired 6. Hindu Undivided Family 7. Companies within the meaning of Section 2(20) of the Companies Act, 2013; 8. Statutory bodies / corporations and societies registered under the applicable laws in India and authorised to invest in the NCDs 9. Co-operative banks and regional rural banks 10.</p>	<p>Rationale for Comment 1 1. Providing the same higher coupon rate as that paid to the initial allottees to subsequent buyers of same investor category , who were originally eligible for higher coupon , and holding the same on record date will improve the liquidity for the debt securities in the secondary market. 2. Restricting the higher coupon only to initial allottees will restrict liquidity for debt securities and initial allottees will be forced to sell at a loss to match the higher coupon expectation of larger investor base who will be interested to buy from the secondary market. 3. The scenario in Debt Securities Primary Market should be seen differently from that in Equity Primary Markets. In Equity Primary Markets discount offered to Retail Investors enables initial allottees to make gains since equity shares are traded at a narrow uniform price band and buyer in the secondary market is buying the same with a clear assumption on future gains at that price. However , incase of Debt Securities same benefit may not arise to initial allottees since subsequent buyers will buy only at lower price than the allotment price to compensate for the lower coupon rate as the benefit of higher coupon is restricted to initial allottee. 4. In case of bank fixed deposits , Investors do not face this challenge</p>	<p>1. Permitting the incentives to extend to transferee investors, even though within the same category, would create complexities such as market fragmentation between incentive-eligible and incentive-ineligible investors, price distortion and difficulty in selling bonds that do not carry the incentives. Therefore, incentives may only be offered to the original allottee of the issue.</p> <p>2. Since the intent of the proposal is to encourage wider participation in the debt market by certain identified under-represented categories of investors, it would not be appropriate to extend the incentives to other categories.</p>

S. No.	Public Comment	Rationale	SEBI comments
	<p>Trusts including public/private charitable/religious trusts which are authorised to invest in the NCDs 11. Scientific and/or industrial research organisations, which are authorised to invest in the NCDs 12. Partnership firms 13. Association of Persons 14. Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 15. Any other unincorporated body of persons B. The above additional coupon, as far as Individual Category is concerned, should be permitted to be cumulative of additional coupon rate offered under any of the above category subject to not more than 3 categories, as disclosed by Issuer in offer document C. The decision to include a particular category shall be at the sole discretion of the Issuer Company.</p>	<p>of loss on principal since fixed deposit provides premature closure facility as well as loan against fixed deposit. Most of the banks do not charge any premature closure penalty. However, in some cases, premature closure penalty is only 1-2% reduction in the interest rates and there is no principal loss to investor. NBFCs are also not allowed to give loan against NCDs as per RBI regulations. The put option window for NCDs which SEBI has allowed recently for Issuers is not an ideal mode since any large scale put option request from investors can create panic in the market for the particular NCD and result in adverse liquidity position for the issuer. Rationale for Comment 2 1. The above categories of investors are highly sensitive to interest rates and they have alternative investment option in fixed deposits at higher interest rates 2. Banks offer higher interest rates on the basis of category of investor as well as size of deposit 3. Without the benefit of higher additional coupon extended to these investor categories, NCDs will not be able to compete with bank fixed deposits. 4. In case of Deposit taking NBFCs which are rated AAA, the difference between interest rate on NCDs offered in private placement which is mostly subscribed by QIBs and fixed deposit placed with the investor categories mentioned above could be in the</p>	

S. No.	Public Comment	Rationale	SEBI comments
		range of 100-150bps at different points in time. This being the reality , higher coupon rate should be permitted for all categories mentioned as above.	
9.	We broadly agree with SEBI's proposal permitting debt issuers to offer incentives to specific categories of investors. This is a positive step toward improving retail participation. We would like to highlight a practical challenge regarding the verification of the proposed beneficiary categories.	1. Categories such as senior citizens and women investors - can be verified through existing KYC data maintained by KRAs. Relying on KRA-verified attributes would allow eligibility to be validated with minimal friction and without imposing any additional documentation burden on investors or intermediaries. 2. Categories such as armed forces personnel and widows of armed forces personnel - present a more significant challenge. There is currently no centralised or readily accessible list that intermediaries or issuers can use to verify such status. Expecting investors to furnish proof, or expecting issuers/intermediaries to validate such claims, would materially increase operational burden. As a reference point, employee-category applications in IPOs are verified against authenticated employee PAN lists provided by the issuing company. Given this, we suggest that SEBI limit beneficiary categories to those where verification is feasible with minimal friction. This can be either through existing KYC infrastructure, or through authenticated lists provided by competent authorities (similar to how employee PAN lists are used in IPOs). If the verification	While the respondent agrees with the proposal to offer incentives to certain categories of investors in principle, certain operational challenges have been highlighted. In case any such issues are faced, depositories/ RTAs, in consultation with SEBI, shall address the same while giving effect to the proposal.

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		mechanism is tough to implement, the ultimate aim of increasing retail participation will not be met.	
10.	<p>1. If higher coupon rate or discount needs to be provided in a Debt issue to initial allottees alone one should know the category of the investors clearly. Very specifically like Women Senior Citizen Defence Personnel Armed Forces Personnel.</p> <p>2. Higher coupon rate or Discount is proposed to be provided to initial allottees alone.</p>	<p>1. Depositories do not provide categorization like Women Senior Citizen Defence Personnel Armed Forces Personnel etc. in the beneficiary data which makes it difficult to apply discount or higher coupon rate for these special categories. Chances of applying benefit to wrong category and no application to deserved category would invite problems to issuer and RTA.</p> <p>2. Even when we maintain a database of initial allottees we shall not be knowing whether one holds their initial allotment or transacted during the interim period and maintains the initial allotment balance after various transactions. Unless a fool proof system is drawn such proposal will not serve the purpose. Without such a fool proof systems It would also invite litigations and problems for the issuers and RTA.</p>	While the respondent does not disagree with the proposal per se, certain operational challenges have been highlighted. In case any such issues are faced, depositories/ RTAs, in consultation with SEBI, shall address the same while giving effect to the proposal.
11.	Issuer may seek exemption from SEBI in case of specific cases.	It will enable entities to issue NCS with differential interest rates for cases or categories other than specified by Board.	The respondent agrees with the proposal. Since the intent of the proposal is to encourage wider participation in the debt market by certain identified under-represented

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			categories of investors, it is not envisaged to permit extending the incentives to other categories by providing exemptions to the issuer.
12.	To promote retail participation such discounts or higher coupon rate can be considered for retails investors category in line with the equity.	Increased retail participation in the Debt Market. This proposal is also in line with the erstwhile approvals given by Ministry of Finance for Issue of Tax Free Bonds way back in FY 2012 to FY 2015.	The respondent agrees with the proposal.
13.	We appreciate SEBI's initiative to incentivise retail participation in the public issue of debt securities (NCDs), which is a timely step towards broadening India's debt investor base. While the proposal for differential coupon or discount is a positive starting point, we believe its success hinges on ensuring that the incentive is meaningful, the product is safe, liquidity is assured, and investors are well-informed. Our recommendations have been given to address the following concerns in the NCD Public Issue Market: 1. To safeguard Investor's interest and their investment behaviour 2. Limited Liquidity in the NCD Retail Segment 3. Non-availability of any tax benefit on investment in NCDs 4. Low Investor Literacy of the Bond	The retail debt market remains underdeveloped, contributing less than 2% of total corporate bond holdings, primarily due to perceived credit risk, poor liquidity, and limited awareness. The proposed incentives will only succeed if they are material, credible, and supported by structural reforms. A minimum coupon differential ensures uniform application and prevents tokenism, while focusing on secured, high-rated issuances instils confidence among first-time investors such as senior citizens and women. Liquidity assurance is pivotal — the absence of a secondary market is the core deterrent to retail participation. The Market Maker model, proven effective in SME equity markets, can similarly create continuous two-way pricing in NCDs and foster investor confidence. Integrating OBPPs enhances accessibility, transparency, and monitoring	The respondent agrees with the proposal. The other suggestions made by the respondent do not pertain to the instant proposal.

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	<p>Market To that end, we recommend (i) mandating a minimum coupon differential (e.g., 50 bps) to avoid cosmetic distinctions that fail to alter investor behaviour; (ii) initially restricting incentives to secured, high-rated issues (AA– and above) to build confidence and mitigate credit-risk aversion; (iii) addressing the liquidity constraint through a Designated Market Maker (DMM) mechanism, similar to SME equity listings, to ensure two-way quotes for retail lots during the first 12–18 months post-listing; and (iv) enabling Online Bond Platform Providers (OBPPs) to serve as a transparent, retail-friendly digital channel for primary and secondary access. Further, v. SEBI should work with the Ministry of Finance to achieve tax parity with small savings schemes by exempting or deducting the first ₹50,000–₹1,00,000 of NCD interest income for retail investors. Finally, vi. to promote informed participation, we suggest a one-page Retail Bond Summary (RBS) in English and vernacular languages, and vii. a distributor certification requirement to ensure responsible communication of credit and liquidity risks.</p>	<p>efficiency through a digital retail-friendly interface. Taxation remains a critical barrier. Without aligning NCDs’ post-tax yield with instruments like PPF or NSC, retail migration to bonds will remain limited. Coordinated reform with the Ministry of Finance is therefore essential. Finally, retail awareness is the cornerstone of sustainable participation. A standardized Retail Bond Summary (RBS) simplifies complex terms, while mandatory distributor training curbs mis-selling. Together, these reforms create a balanced ecosystem — rewarding, secure, liquid, and transparent — thereby enabling SEBI’s goal of deepening India’s retail debt market.</p>	

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14.	Higher Interest should be offered to retail investors i.e. individuals or HUF where there will be limit on max amount of investment and there should be minimum discount prescribed by regulator. Suggested minimum discount of 50 bps.	Retail investors will include all categories like women or senior citizens or armed forces and max amount will ensure that the many investors are benefitted. Minimum discount will encourage such investors and also is discount is less the issuer may misguide investors.	Since SEBI does not prescribe the issue price/ coupon rates/ other commercial aspects of the issue, the discount to be provided to the specified categories of investors may not be specified by SEBI and may be left to the issuers.
15.	Female, senior citizen and army personnel,(serving person, ex-service and widow) All should be given discount or higher coupon rate. I prefer discount as it's proposed at original issuer to initial allottees only.	Most of senior citizens and ex-army personnel are counselled by their ex employer for not taking risk. So they prefer guaranteed returns scheme which is good but due hype in public about markets some scamsters lure them offering more returns. If SEBI allows issuer to give more coupon rate to them then there will drop in such cases. Discount is better than More coupon rate as it gives special treatment to these emotional investors with SEBI regulated products.	The respondent agrees with the proposal. The proposal provides for both discount to the issue price and higher coupon rate, at the option of the issuer.
16.	While you have avoided the arbitrage player by certain vested parties by making higher coupon payment allowed only upon initial allotment and not after the transfer a similar lock in of at least 2 years shall be proposed if the allotment happens to be at a discount. This is to ensure that demat account of women and senior citizen are not misutilized to build book for institutional	To avoid malpractices by financial intermediaries	The respondent agrees with the proposal in principle. Since the intent of the proposal is to encourage wider participation in the debt market by certain identified under-represented categories of investors, specifying a

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	intermediaries and the benefits are available only to a genuine investor. This will avoid recurrence of last year issue in case of an NBFC where demat account of individuals were utilized to apply in a debt NCD IPO of a publicly listed company after funding from captive NBFCs and then the bonds were immediately transferred to other corporate investors.		lock-in period may not be appropriate as it would discourage them from subscribing to the issue by impacting the liquidity of the bond.

Draft amendment notification

Amendment shall be notified after following the due process