**Amendment to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 with the objective of Facilitating Ease of Doing Business relating to Anchor Investor Allocation and Long-Term Institutional Participation**

## 1. Objective

1.1. This memorandum seeks the approval of the Board to make amendments to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (hereinafter referred as the "**ICDR Regulations or ICDR Regulations 2018**") for Facilitating Ease of Doing Business relating to Anchor Investor Allocation and Long-Term Institutional Participation under ICDR Regulations 2018.

## 2. Background

2.1. In last five years, India's capital markets have witnessed significant growth, supported by a robust regulatory framework and increasing investor participation across all categories. The IPO market, in particular, has evolved with rising deal sizes, deepening institutional interest, and growing retail involvement through both direct applications and mutual funds. However, market participants have highlighted that certain provisions under the ICDR Regulations have presented practical challenges that are affecting IPO market functioning and inclusive investor participation.

2.2. In particular, the following concerns were highlighted by market participants:

2.2.1. Anchor Investor Allocation Constraints: Schedule XIII of the ICDR Regulations limits the number of permissible anchor investor allottees based on the size of allocation. While this structure was intended to promote broad-based participation, it has probably inadvertently constrained the ability of Foreign Portfolio Investors (FPIs) operating multiple funds with separate PANs (Permanent Account Numbers) to invest in anchor portions of IPOs. Additionally, the presence of Category

I (for allocations up to ₹10 crore) has become redundant given the increasing average IPO sizes on the main board.

2.2.2. <u>Lack of Anchor Investor Reservation for Long-Term Institutional Investors:</u> Currently, reservation is available for only domestic mutual funds i.e. one-third in the anchor book. Life Insurance Companies and Pension Funds—despite being stable, long-term investors—are not accorded reservation in anchor investor portion under the ICDR framework. Data from recent IPOs suggest rising interest and participation from these institutions, warranting through reservation in anchor investor portion facilitation.

2.3. Given the above context and the need to align the regulatory framework with evolving market realities, SEBI initiated a review of the relevant provisions under the ICDR Regulations.

2.4. In view of the above, the proposals to amend ICDR Regulations were deliberated in the Primary Market Advisory Committee (PMAC). PMAC, after detailed discussions, submitted its recommendations on the proposed regulatory changes to SEBI. Based on PMAC recommendation and internal deliberation, it was decided to have public consultation on the proposals to certain amend provision of ICDR Regulations. Consequently, SEBI issued a consultation paper on July 31, 2025 ("**Consultation Paper**") seeking views / comments from the public on the proposals to amend the ICDR Regulations that is annexed as **Annexure I** to this Board Memorandum.

2.5. The aforementioned consultation paper inter alia proposed a reduction in the retail individual investor quota in IPOs exceeding ₹5,000 crore from the current 35% to 25%, and a corresponding increase in the QIB reservation from 50% to 60%, citing challenges faced by issuers in executing large-sized IPOs. Subsequently, the SEBI issued a second consultation paper on August 18, 2025, proposing a review of the requirements relating to Minimum Public Offer and the timelines for compliance with Minimum Public Shareholding (MPS), in terms of the Securities Contracts (Regulation) Rules, 1957. The said consultation paper addresses concerns of large issuers in a broader manner by reducing the minimum dilution requirement at the time of IPO, without necessitating changes to the existing IPO allocation framework. Accordingly, proposals mentioned in Section III of the consultation paper dated July 31, 2025 and as described in this paragraph are no longer required to be pursued in this board Memo and these proposals are briefly addressed in the Board Item No.11 and Memo No. 64/2025. However, the proposals mentioned in section I & section II of the consultation paper are considered for preparation of this Board Memo.

2.6. In response to the aforesaid Consultation Paper, total 52 comments/ suggestions were received from commentators (includes Merchant Bankers, Insurance Companies, Investors, FPI etc.) and most of the comments were in favour of the proposals contained in section I & section II of the consultation paper. The summary of comments is placed at **Annexure II**. Further, this Board note includes the analysis of the public comments**.**

2.7. The following paragraphs detail the existing provisions under ICDR Regulations, need for review, suggestion, rationale for amendment to existing provisions, analysis of public comments and proposal for the consideration of the Board.

## 3. Proposals

### 3.1. Discretionary allotment under Anchor portion in IPO

3.1.1. **Existing Provision:** In terms of the regulation 32(3) of ICDR Regulation, in an issue made through the book building process, the issuer may allocate up to sixty per cent. of the portion available for allocation to qualified institutional buyers to anchor investors, in accordance with the conditions specified in this regard in Schedule XIII of ICDR.

In terms of the Schedule XIII, the allocation to anchor investors in case of public issue on the main board, through the book building process, shall be on discretionary basis and subject to the following:

| **Category** | **Anchor Allocation Size (₹ crore)** | **No. of Permitted Investors** | **Minimum Allotment per Investor (₹ crore)** |
|---|---|---|---|
| I | Up to 10 | Maximum 2 | 5 |
| II | Above 10 and up to 250 | Minimum 2 and Maximum 15 | 5 |
| III | Above 250 | Minimum 5 and Maximum 15 for first ₹250 crore, plus 10 additional investors for every additional ₹250 crore or part thereof | 5 |

Further, one-third of the anchor investor portion shall be reserved for domestic mutual funds

3.1.2. **<u>Need for Review:</u>**

3.1.2.1. Representation has been received from stakeholders to review the limit of maximum Anchor investors allowed for allocations based on size of Anchor portion as prescribed in the current framework mentioned above. The need for such review arises as each FPI fund investing in the Anchor portion is considered separate application for allocation in the Anchor portion despite having the same beneficial owner (due to each FPI fund having a different PAN and PAN being the identifier for each investor) thereby limiting the ability of different FPI funds (with the same beneficial ownership) to invest in the Anchor portion or leading to an exhaustion of the available investor limits, in certain situations. The treatment to FPI is different compared to Mutual Funds where schemes of a Mutual Fund are considered as a single application for allotment, given Mutual Fund has one PAN.

3.1.2.2. Further, over the past five years, the average IPO size on the main board has increased, with even the smallest IPOs typically exceeding ₹300–₹500 crore. In light of this, the use of Category I under Schedule XIII of SEBI ICDR Regulations, which permits anchor allocation of up to ₹10 crore to a maximum of two investors, has become virtually redundant.

3.1.3. **Proposals received:**

3.1.3.1. In order to address the issue at para 3.1.2.1, it was proposed to increase the number of permissible Anchor Investor allottees for allocations above ₹250 crore. Specifically, a minimum of 5 and a maximum of 15 investors shall be allowed for allocations up to ₹250 crore. For every additional ₹250 crore or part thereof, an additional 15 investors instead of 10 may be permitted, subject to a minimum allotment of ₹5 crore per investor. (**Proposal 1**)

3.1.3.2. In view of the para 3.1.2.2, it was also proposed to Merge Category I with Category II, such that for any anchor investor allocation up to ₹250 crore, the following norms shall apply: (**Proposal 2**)

| **Category** | **Anchor Allocation Size (₹ crore)** | **No. of Permitted Investors** | **Minimum Allotment per Investor (₹ crore)** |
|---|---|---|---|
| I | Up to 250 | Minimum 2 and Maximum 15 | 5 |
| II | Above 250 | Minimum 5 and Maximum 15 for first ₹250 crore, plus 15 additional investors for every additional ₹250 crore or part thereof | 5 |

3.1.4. **Rationale:**

3.1.4.1. The 1st proposal aims to ease participation for large FPIs operating multiple funds with distinct PANs, which currently face allocation limits due to line caps. By increasing the number of permissible anchor lines, the framework would accommodate such investors, enabling larger, more diversified anchor books and attracting global funds with minimum size criteria.

3.1.4.2. With respect to 2nd proposal, it may be noted that given the prevailing deal sizes, most issuances fall within the threshold of Category II or higher, which prescribes participation by a larger pool of anchor investors with a higher minimum allocation. Hence, Category I has limited practical relevance in the current market context and is rationalized to reflect the evolved IPO landscape.

3.1.5. **Public Comments:** In respect of the aforementioned proposal 1 contained in the consultation paper, 13 commentators have offered specific comments on the proposal. These are as under:

| Total comments | Strongly Agree | Agree | Partially Agree | Disagree | Strongly Disagree |
|---|---|---|---|---|---|
| **13** | 4 | 5 | 3 | 0 | 1 |

3.1.6. **Analysis of Public Comments:**

3.1.6.1. The consultation paper proposed to amend Schedule XIII of the ICDR Regulations, 2018 to allow up to 15 anchor investors with a minimum allotment of ₹5 crore each for allocations up to ₹250 crore. For anchor allocation exceeding ₹250 crore, 15 additional anchor investors would be allowed per ₹250 crore or part thereof.

3.1.6.2. Majority of the commentators have agreed with the proposal stating that increasing the permissible number of anchor investors would broaden participation in the anchor book and reduce the concentration of allocation among a few large investors. They highlighted that this measure aligns with global best practices, where diversification of anchor investors is considered beneficial for building a more resilient and balanced investor base. Commentators also noted that a larger and more diverse set of anchors would provide confidence to retail and other categories of investors during the IPO process.

3.1.6.3. However, few commentators have partially agreed and disagreed with the proposal stated that it only partially addressed the disparity between FPIs and Mutual Funds. They recommended that multiple FPIs Funds managed by the same fund manager be treated as a single application and addressing the issue at the fund manager level instead of the fund level. In this regard, it may be noted that while both Mutual Funds and FPIs are pooled investment vehicles, Mutual Funds operate under a well-defined domestic regulatory framework with transparent ownership structures and uniform disclosure requirements, allowing effective monitoring of fund-level IPO participation. In contrast, FPIs may invest through multiple structures and jurisdictions, which can lead to limitations in obtaining a consolidated view of their investments across offerings. Therefore, due to these structural and regulatory differences, treating FPIs at par with Mutual Funds for anchor investor allocation may not be appropriate.

3.1.6.4. Further, PAN-based allotment provides a uniform and verifiable identification mechanism, ensuring auditability and transparency in allotment processes. Departing from this framework only for FPIs, without similar clarity on underlying beneficial ownership, could weaken consistency and comparability across investor classes. Thus, in view of this, feedbacks provided by the commentators at 3.1.6.2 and 3.1.6.3 may not be accepted.

3.1.7. **Public Comments:** In respect of the aforementioned proposal 2 contained in the consultation paper, 8 commentators have offered specific comments on the proposal. These are as under:

| Total comments | Strongly Agree | Agree | Partially Agree | Disagree | Strongly Disagree |
|---|---|---|---|---|---|
| **8** | 2 | 4 | 1 | 0 | 1 |

3.1.8. **Analysis of Public Comments:**

3.1.8.1. The consultation paper proposed to amend Schedule XIII of the SEBI (ICDR) Regulations, 2018 by merging category I with category II as suggested in the consultation paper.

3.1.8.2. Most of the commentators have agreed with the proposal noting that Category I is redundant in today's IPO landscape.

3.1.8.3. However, one commentators, who has partially agreed with the proposal, has not provided relevant rationale corresponding to their level of disagreement. Further one commentator has strongly disagreed with the proposal but has not provided any rationale/feedbacks.

3.1.9. **Proposals for Board approval**:

3.1.9.1. It is proposed to increase the number of permissible Anchor Investor allottees for allocations above ₹250 crore. Specifically, a minimum of 5 and a maximum of 15 investors shall be allowed for allocations up to ₹250 crore. For every additional ₹250 crore or part thereof, an additional 15 investors instead of 10 may be permitted, subject to a minimum allotment of ₹5 crore per investor.

3.1.9.2. It is also proposed to Merge Category I with Category II, such that for any anchor investor allocation up to ₹250 crore, the following norms shall apply:

3.1.9.2.1. minimum 2 anchor investors and maximum 15 anchor investors

3.1.9.2.2. minimum allotment of ₹5 crore per anchor investor

3.1.9.3. The proposed amendments to ICDR Regulation for giving effect to the aforesaid proposal is placed at **Annexure III**.

3.2. **Reservation for Allocation for Life Insurance Companies registered with IRDAI and Pension Funds registered with PFRDA ('Pension Funds') along with Domestic Mutual Funds ('Mutual Funds') in the Anchor Book**

3.2.1. **Existing Provision**: As per Schedule XIII of ICDR Regulations, one third of the anchor portion is reserved for Mutual Funds (subject to demand). Moreover, as per Regulation 32 of ICDR, there is also a reservation of up to 5% for Mutual Funds in the non-anchor qualified institutional buyers book. Currently there is no reservation for Life Insurance Companies or Pension Funds in the anchor portion.

3.2.2. **Need for Review:** Life Insurance companies and pension funds represent a significant pool of long-term, stable capital in the Indian financial ecosystem. Life Insurance companies derive their funds primarily from policyholder and shareholder corpus, along with equity-linked products such as ULIPs. This capital is inherently long-term and relatively stable, making Life insurance companies ideal anchor investors in IPOs. Pension funds, similarly, are large, long-horizon investors that align well with the objectives of IPO anchor allocation. Their participation not only signals institutional confidence but also enhances the credibility and quality of the anchor book. Recent trends indicate increasing interest from Life insurance companies and pension funds in IPO anchor portions, with their allocations rising across major issuances in the past year. This underscores the growing relevance of these investor class in the capital-raising process. Recognising their growing role, it is vital to create a framework that facilitates their participation in a structured and consistent manner through appropriate allocation or reservation in the anchor investor category.

3.2.3. **Proposals received:**

3.2.3.1. It was proposed to include Insurance Companies and Pension Funds in the reserved category of Anchor Portion along with Mutual Funds.(**Proposal 3**)

3.2.3.2. It was also proposed to increase the reservation from existing thirty three per cent to forty per cent of the anchor investor portion. The increased seven per cent is proposed to be reserved for Life insurance companies registered with IRDAI, pension funds registered with PFRDA and thirty-three per cent continued to be reserved for domestic mutual funds.

In case of undersubscription in the reserved 7% in anchor investor portion by Life Insurance Companies / Pension Funds, the unsubscribed portion of such reservation shall be available to domestic Mutual Funds. (**Proposal 4**)

3.2.4. **Rationale:** With growing interest from Life insurance companies and pension funds in IPOs, the proposed increase in anchor reservation to 40% will ensures their participation. It would diversify the long-term investor base while retaining the existing one-third reservation for mutual funds, enhancing the depth and stability of anchor investments.

3.2.5. **Public Comments:** In respect of the aforementioned proposal 3 contained in the consultation paper, 15 commentators have offered specific comments on the proposal. These are as under:

| **Total comments** | **Strongly Agree** | **Agree** | **Partially Agree** | **Disagree** | **Strongly Disagree** |
|---|---|---|---|---|---|
| **15** | 7 | 5 | 1 | 2 | 0 |

3.2.6. **Analysis of Public Comments:**

3.2.6.1. The consultation paper proposed to include Life Insurance Companies and Pension Funds along with domestic mutual funds for reservation under anchor portion.

3.2.6.2. Majority of the commentators have agreed with the proposal emphasizing the large AUMs of insurers (~₹74 trillion) & Pension Funds and their role as stable, long-term investors. Industry representatives stated that Life insurance and pension funds represent 'patient capital' and their inclusion diversifies anchor participation.

3.2.6.3. Few commentators have partially agreed and disagreed with the proposal highlighting that while Life insurers are stable investors, their lack of focus on high-growth sectors may limit price discovery. They have also argued that domestic allocation is already high and further reservations reduce FPI allocation, which may disincentivise foreign flows without providing any relevant rationale with respect to their level of agreement. In this regard, it may be noted that rationale for introducing anchor investors in an IPO was to build investor confidence, ensure price discovery and stability and over the years, domestic institutional investor, for instance Mutual Funds's AUM has crossed 70 lakhs crore, have contributed to the long-term stability of the Indian stock market. Keeping this in mind the abovementioned proposal is being proposed.

3.2.6.4. Some have also argued for inclusion of general insurance companies who are registered with IRDAI. In this regard, it may be noted that while a portion of life insurance products such as ULIPs are market-linked, life insurers also manage substantial assets from non-linked policies such as term and endowment plans. Moreover, life insurers operate under a long-term liability structure and are subject to rigorous prudential norms under IRDAI regulations. Even in ULIPs, investment decisions are centrally managed by the insurer, not the individual policyholder, ensuring consistency in fund deployment. Importantly, life insurance pools capital from individual citizens, making it a citizen-centric institution. Therefore, the inclusion of life insurance companies in the anchor reservation framework aligns with the objective of channelling long-term, stable domestic savings into equity markets through professionally managed and regulated institutions.

3.2.7. **Public Comments:** In respect of the aforementioned proposal 4 contained in the consultation paper, 16 commentators have offered specific comments on the proposal. These are as under:

| Total comments | Strongly Agree | Agree | Partially Agree | Disagree | Strongly Disagree |
|---|---|---|---|---|---|
| **16** | 6 | 5 | 3 | 1 | 1 |

3.2.8. **Analysis of Public Comments:**

3.2.8.1. The consultation paper proposed to reserve 40% of the anchor book for Mutual Funds, Life Insurance Companies, and Pension Funds, split as 33% for Mutual Funds and 7% for Life Insurance/Pension Funds.

3.2.8.2. Majority of the commentators have agreed with the proposal with some recommending even higher allocation (15–20% for Life insurers/pensions). However, commentator who has disagreed argued that rigid reservation frameworks may reduce flexibility, crowd out FPIs, and are inconsistent with global practices. In this regard, an explanation is already provided at para 3.2.6.3.

3.2.8.3. Since majority of commentators supported the inclusion of Insurance and Pension Funds, citing their long-term orientation and growing systemic importance. However, demands for higher reservations (15% or more) may not be considered at this juncture.

The current proposal ensures diversification of the anchor base, bringing in long-term institutions without disturbing the overall allocation mix. A gradual approach allows SEBI to first assess empirical data on participation and impact, before considering further enhancement.

3.2.8.4. Accordingly, while SEBI acknowledges the merit in higher allocation requests, the proposed 7% reservation alongside the existing 33% for Mutual Funds (total 40%) represents a measured and balanced solution at this stage.

3.2.9. **<u>Proposals for Board approval</u>**:

3.2.9.1. It is proposed to include Life Insurance Companies registered with IRDAI and Pension Funds registered with PFRDA of eligible applicant in the reserved category of Anchor Portion along with domestic Mutual Funds.

3.2.9.2. It is proposed to increase the reservation from existing thirty-three per cent to forty per cent of the anchor investor portion.

Provided that one-third of the anchor investor portion shall be reserved for domestic mutual funds, and the remaining 7% shall be reserved for Life Insurance companies and Pension Funds. In case of undersubscription by Life Insurance Companies / Pension Funds in the 7% reserved for them, the unsubscribed portion of such reservation shall be available to domestic Mutual Funds.

3.2.9.3. The proposed amendments to ICDR Regulation for giving effect to the aforesaid proposal is placed at **Annexure III**.

## 4. <u>Proposed amendments to the ICDR Regulations</u>

4.1. The proposals mentioned at paragraphs 3.1.9 and 3.2.9 above require amendments to the ICDR Regulations. The proposed amendments to ICDR

Regulations are placed at **Annexure III.** The amendment to ICDR Regulations placed at **Annexure-III** may be applicable 30 days from the date of its publication in the Official Gazette.

## 5. <u>Proposal to the Board:</u>

5.1. The Board is requested to consider and approve following proposals mentioned at paragraph 3.1.9 and 3.2.9 above and the proposed amendments to the ICDR Regulations mentioned at paragraph 4 above that would require amendment to the ICDR Regulation.

5.2. The Board is also requested to authorize the Chairperson to take consequential and incidental steps to give effect to the decisions of the Board.

**Encl.:**

Annexure I – Consultation Paper (20 pages)

Annexure II –Summary of Public Comments (21 pages)

Annexure III–Draft amendments to the ICDR Regulations (7 pages)

**Addendum: Amendment to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 with the objective of Facilitating Ease of Doing Business relating to Anchor Investor Allocation and Long-Term Institutional Participation.**

1. During the public consultation on the proposed amendments to the SEBI (ICDR) Regulations, 2018, a suggestion was received that Foreign Portfolio Investors (FPIs) operating multiple funds be treated in the same manner as Mutual Funds for anchor investor allocation. It was argued that just as multiple schemes of a Mutual Fund are consolidated as a single application owing to a common PAN, multiple FPI funds managed by the same investment manager should also be allowed to be aggregated, notwithstanding their separate PAN registrations. Further, FPIs put forth the said suggestion to SEBI during their interaction in the meeting held at Singapore in August 2025.

2. In this regard, it was noted that presently in the secondary market, multiple FPIs fund managed by same fund manager are allowed to place single order using one PAN and after successful placement of the order, the securities are allocated among the multiple funds based on client code after market hours. However, in the IPO each FPI fund is required to make a separate application to get allocation both in the anchor portion and non-anchor portion.

3. Based on the internal discussion and feedback received, it is proposed that SEBI would analyse the feasibility of extending the mechanism available to FPIs in secondary market to IPO allocation. Para 3.1.6.4 of the Board note is amended to this extent.

**Annexure I**

The consultation Paper is available at the following link:

(https://www.sebi.gov.in/reports-and-statistics/reports/jul-2025/consultation-paper-on-facilitating-ease-of-doing-business-relating-to-anchor-investor-allocation-long-term-institutional-participation-and-retail-quota-in-initial-public-offerings-ipo-under-icdr-re-_95748.html )

**Annexure II**

This has been excised for reasons of confidentiality.

**Annexure III**

Amendment to SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, shall be notified after following the due process.