Issue And Listing Of Municipal Debt Securities (Amendment) Regulations, 2026

Effective date: Circular dated 11 August 2026

Based on the recommendations of a SEBI Working Group, the amendments aim to facilitate greater participation in the municipal bond market, enhance investor protection, and address operational challenges faced by municipal issuers. Key changes are summarised below:

Area	Earlier norms	Current norms
Face value (privately placed municipal debt)	No specific option-based framework.	Face value may be ₹1,00,000 or ₹10,000.
Municipal debt with ₹10,000 face value	Not specified.	Must have fixed maturity and no structured obligations.
Trading lot size	General market practice.	Trading lot equal to the face value of the security.
Escrow mechanism (pooled finance SPVs)	Single-layer escrow framework.	Mandatory two-step escrow mechanism involving constituent municipalities and the SPV.
Interest payment protection	Limited prescription.	SPV to maintain funds equivalent to one year's interest obligation in an Interest Payment Account.
Credit enhancement options	Limited guidance.	Additional cash collateral, state government program equity, State Finance Commission devolutions, DFI/multilateral guarantees, and other suitable structures.
Half-yearly financial results	Submission within 45 days from half-year end.	Submission within 60 days from half-year end.
Annual audited financial results	Submission within 60 days from year end.	Submission within 90 days from year end.

Practical implication

The revised framework is expected to improve accessibility for investors, strengthen repayment safeguards, facilitate credit quality through additional enhancement mechanisms, and provide municipalities operational relief through extended reporting timelines.

Source: Amendment to SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 ("ILMDS Regulations")