

SEBI Notification – SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2025 – 31st October 2025

Background

This amendment modifies Schedule XIII, Part A, paragraph (10) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations).

Schedule XIII primarily governs the allocation to Anchor Investors in public issues through the book-building process.

Summary of Amendments

1. Revision in the number and distribution of Anchor Investors

Earlier framework:

The ICDR Regulations prescribed fixed minimum and maximum numbers of anchor investors based on the total anchor investor portion, with defined limits per investor (previously structured up to ₹250 crore tranches).

New provision (as amended):

Anchor Investor Allocation Size	Minimum No. of Investors	Maximum No. of Investors	Minimum Allotment per Investor
Up to ₹250 crore	2	15	₹5 crore
Above ₹250 crore	5	15 for first ₹250 crore + additional 15 for every further ₹250 crore or part thereof	₹5 crore

Key changes / observations:

- The regulation introduces more granular scaling of the number of permitted anchor investors depending on the size of the anchor book.
- It ensures broader institutional participation and prevents over-concentration in a few large anchor hands.
- The minimum allotment per anchor investor continues to be ₹5 crore — this maintains the high-quality institutional benchmark.

2. Mandatory Reservation within Anchor Investor Portion

A new reservation structure has been introduced for the Anchor Investor Portion, redefining its internal allocation:

Category	Reservation % of Anchor Portion	Remarks
Domestic Mutual Funds	33.33%	Mandatory reservation within the 40% of anchor investor portion
Life Insurance Companies & Pension Funds	6.67%	Mandatory reservation; under-subscription to be reallocated to mutual funds

Thus, 40% of the total Anchor Investor Portion must now be split as:

- 33.33% → Domestic Mutual Funds
- 6.67% → Life Insurance Companies & Pension Funds

Clarifications added:

- “Life insurance company” = Entity registered with IRDAI under the *Insurance Act, 1938*
- “Pension fund” = Fund registered with PFRDA under the *PFRDA Act, 2013*

Provision for under-subscription:

If the 6.67% reserved for life insurers & pension funds remains unsubscribed, it can be allocated to mutual funds — ensuring that the anchor portion remains fully subscribed.

Regulatory Intent and Rationale

(a) Broaden Institutional Base

The scaling of anchor investors aims to increase diversity among investors in large issues. By mandating a greater number of investors in higher tranches, SEBI promotes a wider distribution and reduces concentration risk in the anchor allocation.

(b) Strengthen Participation by Long-Term Domestic Institutions

The introduction of a mandatory reservation for domestic mutual funds, life insurers, and pension funds aligns with SEBI’s objective of:

- Encouraging long-term domestic capital participation, and,
- Improving price discovery with more stable domestic investors.

(c) Better Market Depth and Governance

By formalizing the role of regulated domestic institutional investors (MFs, insurers, pension funds), SEBI enhances credibility and transparency in anchor investor participation, ensuring quality participation in IPOs.

Practical Implications for Stakeholders

Stakeholder	Implication
Issuers / Lead Managers	Must ensure compliance with revised investor number limits and reservation norms while finalizing anchor book allocations.
Domestic Mutual Funds	Gain larger reserved participation opportunity (1/3rd of 40% anchor portion).
Insurance & Pension Funds	Get guaranteed participation slot, improving access to quality IPOs.
FPIs and Other QIBs	May face relatively smaller share of anchor allocation as domestic long-term investors are prioritized.

Effective Date

The amendment comes into force 30 days from its publication in the Official Gazette.