

From Passive Custodian to Active Fiduciary: The Long Journey of India's Debenture Trustee

How a profession born out of regulatory necessity evolved through controversy, consolidation, and reform — and where it stands today



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Where it began — the 1993 framework

India's debenture trustee profession was not born out of market demand. It was born out of regulatory necessity.

When SEBI notified the Securities and Exchange Board of India (Debenture Trustees) Regulations in 1993, the primary concern was straightforward: companies raising money from the public through debentures needed an independent party to stand between the issuer and the investor, hold the security, and ensure the terms of the trust deed were honoured. The model was borrowed from the UK's long-established trustee tradition and adapted to India's emerging capital markets.

The 1993 Regulations defined who could act as a debenture trustee — scheduled commercial banks, public financial institutions, insurance companies, and body corporates with a minimum net worth of ₹10 crore. The framework was simple. The obligation was clear. And the assumption — which would prove to be the profession's central weakness for the next two decades — was that holding the role was largely equivalent to performing it.

What followed was a market that grew significantly faster than the governance culture within it.

The population of trustees — growth, exits, and new entrants

At peak, India had over 40 entities registered as debenture trustees with SEBI. The early years of the framework were dominated by public sector banks and public financial institutions — entities that had existing relationships with large issuers and for whom debenture trusteeship was a natural extension of their term lending and treasury operations. ICICI, IFCI, IDBI, Canara Bank, Bank of India, Bank of Maharashtra, Andhra Bank, Central Bank — these were the original trustees. The role was largely administrative, the fees were modest, and the conflicts were significant. A bank that was also a lender to the same issuer whose bonds it was trusteeing was never structurally positioned to be an aggressive enforcer of bondholder rights.

As India's capital markets deepened through the 2000s and private sector issuance grew, the conflict inherent in bank trusteeship became more visible. Several large public sector banks continued to hold their registrations but progressively reduced their active trusteeship mandates. Some surrendered their registrations entirely as regulatory requirements became more demanding and the economics of the business shifted. Private financial institutions and banks restructured their trust departments or transferred them to separate subsidiaries to address the conflict of interest question.

Into this space came a new category of market participant — the dedicated private trusteeship company. These were standalone entities with no lending business, no conflict of interest with issuers, and a business model built entirely around professional trusteeship. The private trustee had a structural advantage that no bank subsidiary could replicate: its only obligation was to the bondholder. It had no other relationship with the issuer to protect.

As of March 26, 2026, SEBI's registered debenture trustee list carries 26 entities. But registration and active practice are two very different things. Of those 26, only a handful are genuinely active in the market — taking new mandates, building teams, investing in technology, and discharging the monitoring and enforcement obligations that the role demands. The real working universe of India's debenture trusteeship market has consolidated to approximately ten active practitioners: IDBI Trusteeship Services, Catalyst Trusteeship, Axis Trustee Services, Beacon Trusteeship, Vistra ITCL India, SBICAP Trustee Company, Centbank Financial Services, Punjab National Bank, Mitcon Credentia Trusteeship Services, and Vardhaman Trusteeship. Between them, these ten entities carry the weight of a corporate bond market worth ₹53.6 trillion, seventeen InvITs, four REITs, and a private credit AIF universe that has crossed ₹15 lakh crore in commitments.

Within this group, one milestone stands apart. In June 2024, Beacon Trusteeship listed on the National Stock Exchange — becoming the first and, to date, only debenture trustee in India to seek a public market listing. The significance of that decision goes beyond corporate finance. A listed entity operates under continuous public disclosure obligations, quarterly financial reporting, and the scrutiny of public shareholders. For a profession whose entire value proposition rests on transparency, accountability, and independence, a public listing is not merely a capital markets event — it is a structural commitment to the same standards the trustee demands of the issuers it monitors. It was a

statement about where the profession needed to go.

The story of how the market went from 40-plus registered entities to ten active practitioners is one of progressive consolidation driven by three forces. The first was regulatory escalation — each successive SEBI circular from 2020 onward raised the minimum standard of what performing the role actually required, and entities that had treated registration as a passive income source found the new standard operationally and financially unsustainable. The second was conflict resolution — banks that were simultaneously lending to the same issuers whose bonds they were trusteeing found it increasingly difficult to maintain the independence that SEBI's framework demanded. Many restructured, ring-fenced, or exited. The third was the natural economics of a profession that requires investment in people, technology, and legal infrastructure to be performed properly — investment that only entities with genuine commitment to the business were willing to make. What remains is smaller, more specialised, and more accountable than what preceded it. That consolidation, uncomfortable as it has been for some, is not a weakness of the Indian trusteeship market. It is the beginning of its maturity.

The regulatory evolution — from passive monitor to active fiduciary

The 1993 framework was necessary but thin. It established the role without meaningfully defining what performing it required.

That thinness was exposed in waves. Every credit event in India's bond market from the late 2000s onward revealed the same structural weakness: trustees that were present in the documentation but absent from the oversight. Security that was registered but not independently verified. Covenants that were breached for months before the trustee became aware. Asset cover that had deteriorated below the prescribed minimum without triggering any formal disclosure.

SEBI's regulatory response was cumulative and increasingly prescriptive.

The 2020 monitoring and disclosure framework — effective from Q3 FY21 — was the first significant post-crisis intervention. It required trustees to carry out periodic monitoring of security created, mandated asset cover certificates on a quarterly basis, and required disclosure of credit rating revisions and payment defaults within T+1 day. For the first time, the trustee's monitoring obligation had a specific, measurable, time-bound dimension.

The January 2025 due diligence circular went further. Trustees were now required to provide certificates at the stage of the draft offer document — confirming compliance with disclosures, covenants, and documentation before the issuance opened. This shifted the trustee's engagement from post-issuance monitoring to pre-issuance verification. The trustee was no longer a party that was called in after the deal was done. It became a gatekeeper at the point of issuance.

The August 2025 Master Circular — Master Circular No. SEBI/HO/DDHS-PoD-1/P/CIR/2025/117 dated August 13, 2025 — represents the most comprehensive statement of what debenture trusteeship in India is supposed to look like. It supersedes every circular issued since 1993, consolidating more than three decades of regulatory guidance into a single chapter-wise framework. Chapter II establishes the due diligence standard at issuance — verify security, examine title documents, certify asset cover adequacy. Chapter III mandates continuous monitoring throughout the life of the instrument — security cover, financial covenants, compliance reporting. The Recovery Expense Fund, pre-funded by issuers, gives trustees the economic resources to take legal action without waiting for bondholder approval or bearing costs they cannot recover.

The October 2025 amendment to the DT Regulations and the consultation paper proposing replacement of the consent letter with a formal Debenture Trustee Agreement further embed the trustee's accountability into the transaction documentation at its foundation. From a legal and operational standpoint, the trustee appointed today under the current framework is a fundamentally different party from the trustee appointed under the 1993 original — with greater powers, clearer obligations, more specific timelines, and meaningfully higher accountability.

The new asset classes — InvITs, REITs, and the infrastructure dimension

The debenture trustee's role did not stay confined to corporate bonds. It expanded — through SEBI's InvIT and REIT frameworks — into the infrastructure and real estate sectors, creating a significantly broader and more complex mandate.

Every Infrastructure Investment Trust established as a trust structure requires a SEBI-registered debenture trustee. That trustee holds the InvIT's assets on behalf of unitholders, oversees compliance with the InvIT Regulations, monitors the investment manager's adherence to the investment mandate, and ensures distribution obligations are met. India now has 17 listed InvITs with assets spanning national highways, power transmission lines, gas distribution networks, and logistics parks, with combined AUM approaching ₹9 lakh crore and projected to triple to ₹21 lakh crore by 2030. Four listed REITs manage ₹2.25 lakh crore in commercial real estate assets with a combined market capitalisation exceeding ₹1 lakh crore.

The trustee's role in these structures is materially different from its role in a corporate NCD. In a bond issuance, the trustee monitors one issuer's financial health and one set of covenants. In an InvIT, the trustee oversees a trust that holds a portfolio of infrastructure assets, operated by a project manager, managed by an investment manager, with distributable cash flows that must be computed, declared, and distributed to unitholders who increasingly include retail investors.

SEBI's September 2025 reclassification of REITs as equity instruments for mutual fund investment and its push toward lot sizes of ₹100-200 units signals a clear intention: these are not institutional-only vehicles. They are being designed for retail participation at scale. That retail ambition places the trustee in a different position than it occupies

in institutional bond markets. The retail investor in an InvIT or REIT has no capacity for independent monitoring, no legal team to enforce their rights, and no practical mechanism to coordinate with other unitholders. The trustee is their representative in a way that goes beyond the contractual — it is their only organised voice.

For the ten active trustees in India's market, InvITs and REITs represent both the most significant growth opportunity and the most demanding expansion of the role. Managing a debenture trustee mandate on a five-year NCD requires documented processes, quarterly monitoring, and periodic disclosure. Managing a trustee mandate on a highway InvIT — with toll revenues, project company distributions, sponsor obligations, unitholder distributions, and an investment manager whose decisions must be monitored for compliance with the trust deed and SEBI regulations — requires a different order of operational capability.

The profession is being stretched in exactly the right direction. The question is whether the infrastructure being built inside each active trustee's organisation is keeping pace with the growth in the assets and structures they are being asked to oversee.

What the international experience teaches

The debenture trustee function exists in every mature debt capital market in the world, and the international experience carries lessons that India's evolving framework has begun to incorporate.

In the United States, the Trust Indenture Act of 1939 — enacted in the aftermath of widespread bondholder losses during the Great Depression — established the foundational principle that public bond issues require an independent, legally empowered trustee. The US model has developed a sophisticated body of case law around the trustee's pre-default and post-default obligations. The distinction matters: before a default, the trustee's standard of care is administrative — process payments, file reports, monitor for technical breaches. After a default, the standard shifts dramatically — the trustee must act as a prudent person acting in their own affairs, exercising independent judgment on acceleration, enforcement, and collateral liquidation. The Harvard Law School Bankruptcy Roundtable's observation that pre-default indenture governance in the US is "not yet well-informed by case law or scholarship" reflects a genuine ambiguity that India is now navigating through regulatory prescription rather than litigation. SEBI's approach of defining the continuous monitoring obligation explicitly in the Master Circular is, in some respects, more precise than the US framework, which leaves pre-default standards largely implicit.

In the United Kingdom, the independent professional trustee model has been most fully developed. Law Debenture, established in 1889, pioneered the concept of trusteeship as a standalone profession — deliberately separate from lending, deliberately without conflicts, and explicitly structured to serve the bondholder's interest without compromise. The UK's corporate bond market relies heavily on independent professional trustees precisely because the conflict that arises when a bank trustee is also a lender to the issuer has been recognised and largely designed out of the system. This is the model that India's ten active private and ring-fenced trustees are progressively moving toward.

Australia presents a direct regulatory precedent. The Australian Securities and Investments Commission tightened its trust company licensing framework significantly after a series of debenture failures where trustees had not independently verified asset valuations and had relied on issuer representations that turned out to be inaccurate. The Australian response — requiring trustees to maintain genuine independence from issuers, conduct independent asset valuations, and report directly to ASIC in specified circumstances — is a direct precedent for several of SEBI's post-2020 reforms. India has essentially compressed Australia's post-failure learning curve into five years of focused regulatory action.

Singapore's MAS has developed a trustee framework for SGX-listed bonds and REITs that emphasises continuous engagement — trustees are expected to attend key meetings, review financial performance, and proactively escalate concerns rather than simply process paperwork. The Singapore REIT trustee's role in particular — holding assets on behalf of unitholders, approving related party transactions, and maintaining ongoing oversight of the REIT manager — is the closest global parallel to what SEBI is now asking of InvIT and REIT trustees in India. As India's InvIT and REIT markets continue to grow and retail participation deepens, the Singapore model of continuous active trustee engagement is the standard the Indian market needs to reach.

The common thread across all four jurisdictions is a movement over time from passive to active. The trustee that meets today's regulatory standard in the US, UK, Australia, or Singapore is not the trustee that was envisaged when these frameworks were first established. In each case, credit events and investor losses produced regulatory responses that raised the standard. India is compressing that evolution — learning from four jurisdictions' decades of experience and incorporating it into a framework that is now, in several respects, among the most prescriptive in the world.

Summing up — where the profession stands

In June 2026, there are 26 entities on SEBI's register and ten active practitioners carrying the real weight of India's debenture trusteeship market. The regulatory framework they operate under is the most comprehensive in this profession's thirty-three-year history. The asset classes they serve — bonds, loans, InvITs, REITs, AIFs, securitisation structures — span the full breadth of India's capital markets. The investor base depending on their performance includes not just sophisticated institutional investors but a growing population of retail participants for whom the trustee is the only organised protection they have.

The profession has earned a degree of recognition it was not accorded in its first two decades. SEBI's sustained regulatory investment — from the 2020 monitoring framework through the January 2025 due diligence certification to the August 2025 Master Circular — reflects an institutional acknowledgement that the trustee's role is central to the integrity of India's bond market. That acknowledgement is welcome and deserved.

But recognition is not the same as completion. The ten active trustees in India's market today face a set of demands that grow more complex with every new instrument category, every new retail investor who buys an InvIT unit, every new AIF that appoints a trustee because regulation requires it. Meeting those demands requires investment — in people who understand the role's full legal and operational scope, in technology that enables continuous monitoring at scale, and in the institutional culture that makes a trustee willing to have uncomfortable conversations with issuers and escalate to SEBI when required.

Beacon's NSE listing in June 2024 was one statement of that commitment — subjecting the profession's practitioners to the same public accountability standards they impose on others. The August 2025 Master Circular was SEBI's statement. The global experience of the US, UK, Australia, and Singapore provides the roadmap.

The destination is a trusteeship profession that is active, independent, well-resourced, and genuinely serving the investors who depend on it. India has the framework. The ten active practitioners have the mandate. The work of fully earning the role is the next chapter.
