

SEBI Proposes a Monitoring Agency for Every Issue

What the 13 October 2026 consultation paper would change for SME IPOs, preferential issues and QIPs

A proposal open for public comment until 3 November 2026. The current SEBI (ICDR) Regulations, 2018 apply until SEBI amends them.

SME IPO · Preferential Issue · QIP · Use of Proceeds

A S Banka Advisors Private Limited



What Is Proposed

SEBI has put out for comment Chapter I of the report of its Working Group on the SEBI (LODR) Regulations, 2015: monitoring and disclosure of how issue proceeds are used.

Item	Detail
Paper dated	13 October 2026
Comments due	3 November 2026
Regulations affected	ICDR Regulations, 2018 and LODR Regulations, 2015
Status	Proposal only; no amendment notified

The monitoring agency is a credit rating agency registered with SEBI that checks whether issue money is used for the objects stated in the offer document.

Four Core Proposals

1. An agency for every issue.

IPOs on the Main Board and SME platform, FPOs, preferential issues and QIPs, irrespective of issue size (excluding offer for sale).

2. Direct filing.

The agency files its report straight with the stock exchanges within 45 days of the quarter end, and sends a copy to the company. For the quarter ending 31 March, 60 days.

3. Statement of non-cooperation.

Where the company does not co-operate, the agency files on the best available information, flags the potential risk of diversion and advises investors to exercise caution.

3

4. Fines and a promoter demat freeze.

Escalating action by the stock exchanges for non-cooperation.



Today's Threshold vs the Proposal

Issue	Agency required today (ICDR)	Proposed
Main Board IPO	Above Rs 100 crore, excluding OFS (Reg 41)	Every issue
SME IPO	Above Rs 50 crore, excluding OFS (Reg 262)	Every issue
Further public offer	Above Rs 100 crore, excluding OFS (Reg 137)	Every issue
Preferential issue	Above Rs 100 crore (Reg 162A)	Every issue
QIP	Above Rs 100 crore, excluding OFS (Reg 173A)	Every issue
Rights issue	Every issue (Reg 82)	Every issue

Rs 50,000

fine per instance of non-cooperation

15 days

from receiving complete information to file a complete report

10 days

from notice to promoters before a demat freeze is initiated

Who Would Be Affected

Newly covered

- SME IPOs of Rs 50 crore or less (excluding OFS)
- Main Board IPOs, FPOs and QIPs of Rs 100 crore or less (excluding OFS)
- Preferential issues of Rs 100 crore or less

Outside the agency requirement

- Banks, public financial institutions and insurance companies (proviso to each regulation)
- The offer for sale portion, which is excluded from issue size
- Under the proposal, Regulation 32 of the LODR would apply only to these exempt entities



What It Means for Each Stakeholder

Founders and Promoters

The escalation ends with a freeze on promoters' demat accounts if non-cooperation is not rectified and the fine is not paid.

Audit Committees and CFOs

The audit committee would review and comment on the agency's draft report; the company sends it back to the agency and places it before the board for information.

SME Issuers and Their Auditors

The statutory auditor's utilisation certificate under ICDR Regulation 262(5) would go; the working capital certificate under Regulation 262(6) would move to half-yearly results.

Points to Watch

01 Scope is gross proceeds

The agency would monitor 100 percent of gross issue proceeds other than OFS: pre-IPO proceeds used for the objects, money placed with scheduled commercial banks, issue expenses borne by the company and end use by an investee.

02 Fee is not an excuse

Non-payment of the agency's fee would not count as non-cooperation; the agency may take the full fee in advance and refund a proportionate amount if the agreement ends early.

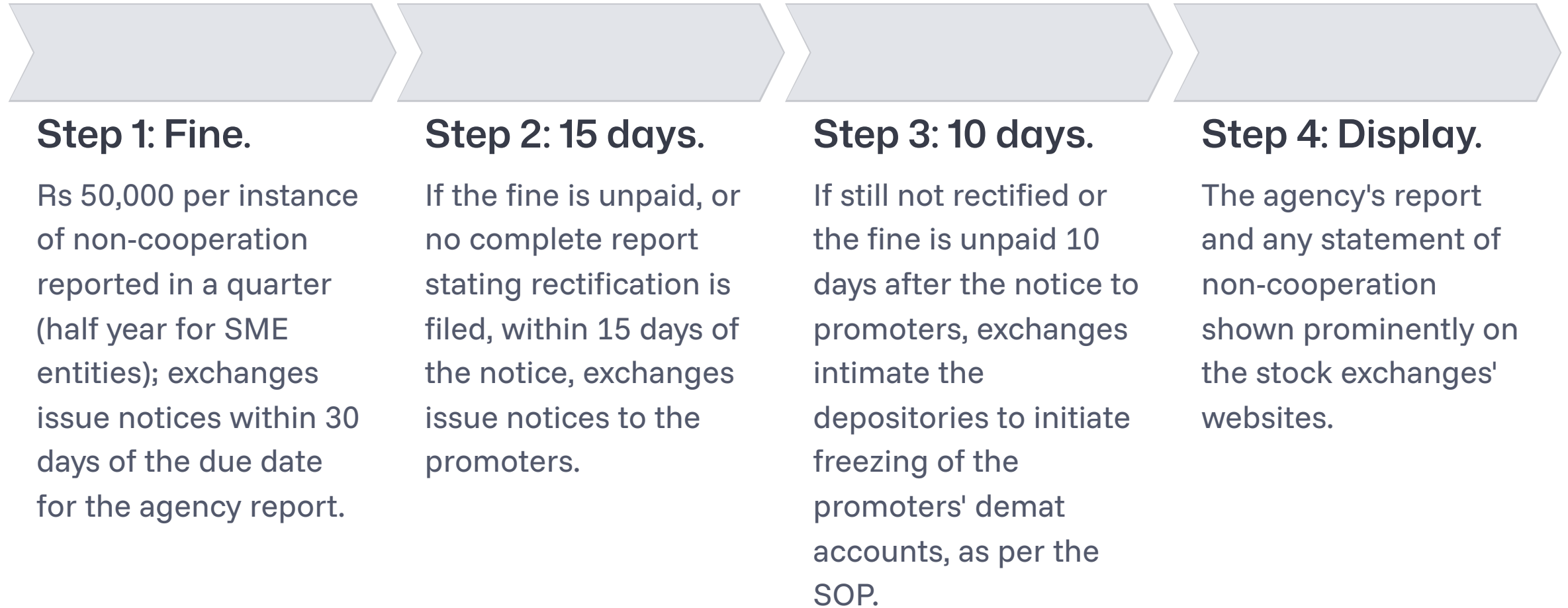
03 No switching agencies

After non-cooperation is reported, the company could neither terminate its agency nor appoint a new one until it rectifies.

04 Statement filed even with no variation

Regulation 32 would become a "Statement of utilization including variation(s), if any", filed even where there is no variation.

The Proposed Escalation Path



Transition and Next Steps

Situation when the amendments come into force	Proposed position
Offer document filed on or after that date, or fund raising initiated before it with no funds raised	Amended rules apply from that date
Funds raised, agency already appointed	New Regulation 32A applies from the next reporting quarter (half year for SME)
Funds raised without needing an agency	Existing rules continue until 100 percent of the proceeds are used

What to do now: keep complying with the current ICDR and LODR rules; if an issue is in the pipeline, check which transition row applies; send comments to SEBI by 3 November 2026.

Source: SEBI Consultation Paper on review of the framework for monitoring and disclosure of utilization of issue proceeds, 13 October 2026, and Report of the Working Group, Chapter I. SEBI (ICDR) Regulations, 2018, Regulations 41, 82, 137, 162A, 173A and 262.

Planning a fundraise as a listed company? Book a quick call with A S Banka Advisors Private Limited.

