

SEBI Amendment to Merchant Bankers Regulations December 2024

The recent amendment to the SEBI (Merchant Bankers) Regulations, 1992, made on December 18, 2024, introduces significant changes, particularly impacting the ability of merchant bankers (MBs) to conduct valuation services.

Key Points and Implications of this Amendment:

- ▶ **Prohibition on New Valuations:** Merchant bankers are now prohibited from undertaking any new valuation assignments under their merchant banking registration. They can only complete existing engagements.
- ▶ **Transitional Arrangement:** There is a nine-month transitional period allowing MBs with existing valuation assignments to complete them. If they wish to continue providing valuation services afterward, they must obtain registration from the relevant authority.
- ▶ **Registration Requirement:** To issue valuation reports post-amendment, MBs would need to register with the IBBI (Insolvency and Bankruptcy Board of India) as registered valuers. However, the amendment does not explicitly state that MBs must register with IBBI, leaving some ambiguity regarding this requirement.
- ▶ **Eligibility for Registration:** For a merchant banker to apply for registration with IBBI, they must comply with the rules under Section 247 of the Companies Act, 2013. If an MB has the necessary infrastructure, registration may be straightforward; otherwise, the nine-month window could be challenging.
- ▶ **Impact on Other Statutes:** Although SEBI has implemented this immediate restriction, other laws that currently require valuations from merchant bankers, such as those under the Income Tax Act and FEMA, have not yet been amended. This creates a potential conflict, as there may still be demand for merchant banker valuations for specific statutory purposes.
- ▶ **Market Dynamics:** There may be an increased demand for merchant bankers who are also registered valuers, especially in light of the ongoing requirements for valuations under existing statutes. The dual requirements could significantly narrow the field or eliminate the cadre of merchant bankers focused primarily on statutory valuations.
- ▶ **Need for Clarification:** It is crucial to clarify how these changes will interact with existing laws that require valuations by merchant bankers, as many MBs have broader roles beyond statutory valuations.

In summary, the amendment aims to streamline and regulate the merchant banking sector by limiting valuation activities to those with proper registration while also raising questions about the continued need for merchant banker valuations under other regulatory frameworks.

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