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Article by Sh. Jitendra Srivastava,
CMD, REC Ltd.,
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NO HALF TRUTHS

Digital Leap in India's Bond Market

REC's ₹500-crore tokenised bond takes India towards faster, safer and more efficient debt-market settlement while keeping the familiar bond architecture intact; writes **Jitendra Srivastava**

Every big shift in finance begins as an idea. A decade ago, the notion that a central bank might issue money in purely digital form – as reliable as a currency note, yet able to move at the speed of the internet – was still largely theoretical. India turned that idea into reality in November 2022, when the Reserve Bank launched its wholesale digital rupee to settle government-securities trades. That quiet beginning set the stage for a more ambitious question: if money can be digital and programmable, why not the bonds it buys?

From an idea to an issue

That question is the seed of "tokenisation." A tokenised bond is not a new asset class – in essence, the token simply is the bond. It carries the same ISIN, issuer, coupon, maturity and credit rating, sits in the same depository account, and confers exactly the same legal rights as any ordinary bond. What changes is only the technology used to record ownership and move the cash. Because it is the next step after the 1990s move from paper certificates to electronic demat accounts, the market has nicknamed it "Demat 2.0."

Towards the end of June, 2026, SEBI was searching for an issuer for the Pilot issue of corporate tokenisation bonds. REC Limited, the state-owned financier under the Ministry of Power, volunteered to be the pilot issuer and converted it into reality in September 2026, by issuing India's first ₹500-crore tokenised corporate bond – comprising a ₹100-crore base issue and a ₹400-crore green-shoe option – with a 7.30% coupon and a tenor of one year and nine months. Demand was strong: bids touched about ₹796 crore, nearly eight times the base, and the bonds now trade on both the NSE and BSE. The headline, though, was the plumbing: buying, allotment and listing were completed on the same day.

What stays the same, and what changes

For an investor, the instrument remains unchanged; only the machinery beneath it is upgraded. The corporate bond and its ISIN remain the same, along with investor rights and cash flows, credit rating and disclosures, trustee protection and covenants, and the existing regulatory and legal framework. What changes is the infrastructure through which the bond is held and settled. The bond is represented as a digital token, while the ownership record sits on a permissioned ledger. The securities wallet is linked to the investor's demat account, payments are made through the digital rupee (CBDC), and settlement can become atomic–instant and final.

The clever part: money and bond move together

In the pilot, payment is made in the RBI's wholesale digital rupee, and the bond and the cash are linked so tightly that both change hands in the same instant – or neither does. Bankers call this "atomic" delivery-versus-payment. In plain terms, it removes the risk that one side hands over the bond but is not paid, or pays but does not receive the bond. The bond's terms are written into the token as a small piece of software, so future coupon payments can run automatically, with far less manual reconciliation. Reassuringly, an investor needs no new demat account and no fresh KYC – the securities wallet works as an extension of the existing demat account, and the depositories manage the technology in the background.

How the pieces came together

- **June 2020:** SEBI notifies its Regulatory Sandbox, allowing regulated firms to test new financial technologies in a safe, supervised environment with real users.
- **November 2022:** RBI launches the wholesale digital rupee (e₹-W), initially used to settle government securities transactions in central-bank money.
- **2023–2025:** Switzerland, Hong Kong and Germany conduct tokenised-bond experiments, providing global models that India studies while developing its own framework.
- **May 2026:** SEBI announces plans for a pilot project to test the tokenisation of corporate bonds.
- **September 2026:** REC issues India's first tokenised corporate bond under Stage I – ₹500 crore at a 7.30% coupon, nearly eight times oversubscribed and settled on the same day.

India's Demat 2.0 journey begins with its first tokenised corporate bond

TOKENISATION COULD MAKE BOND SETTLEMENT FASTER, SAFER AND MORE TRANSPARENT

The challenges – and the benefits

Making this real was not simple. Three problems, in particular, had to be solved together. First, a trustworthy digital settlement asset – answered by the RBI's digital rupee, which many countries are still building. Second, a way to record tokens without forcing investors into new accounts or fresh paperwork – answered by linking the token to the existing demat account, with depositories holding the cryptographic keys. Third, doing all this without weakening any safeguard: ratings, trustees, disclosures and legal protections had to stay intact. A controlled regulatory sandbox provided the space to test the design on real users before any wider rollout.

The practical benefits are immediate settlement with lower counterparty risk, automated coupon payments, and greater transparency through a shared, tamper-evident ledger, while permissioned access preserves confidentiality.

A collaborative effort

If the pilot has a lesson, it is that no single institution built it. It rested on quiet, coordinated effort: SEBI, which framed the sandbox and the securities architecture; the RBI enabled the funds leg through the digital rupee; REC, which volunteered to serve as the pilot issuer; and the Market Infrastructure Institutions – the stock exchanges and depositories, with technology support from NPCI – which built and ran the shared ledger. The investors who bid with confidence gave the pilot its market test, and the intermediaries – debenture trustees, rating agencies, registrars and banks – kept every existing safeguard firmly in place.

Backed by the Ministry of Power, Government of India, REC has traditionally embraced a first-mover role in initiatives of national importance – providing, in this instance, an early, real-world validation of a framework that many institutions had shaped together.

Why it matters for India

The stakes reach well beyond a single sale. India's corporate-bond market has grown from about ₹17.5 trillion in FY2015 to roughly ₹53.6 trillion in FY2025. A NITI Aayog report calls a deep bond market "indispensable" for financing roads, power, factories and the climate transition as India aims to become a developed economy by 2047. While India's corporate bond market has expanded significantly, its key constraint remains liquidity, as most investors continue to buy and hold bonds until maturity, limiting secondary-market trading. Tokenised corporate bonds can help address this gap by enabling faster, cheaper and safer settlement, gradually reducing settlement friction, improving market liquidity, and supporting a more active debt market over time.

The Next Chapter

The Demat 2.0 initiative and the tokenisation of corporate bonds mark a landmark step in the evolution of India's debt markets – leveraging digital infrastructure, distributed ledger technology, and CBDC-enabled settlement while preserving existing investor protections and regulatory safeguards.

The writer is an IAS officer, and CMD, REC Limited. Views expressed are personal

Millenniumpost
No Half Truths

Digital Leap in India’s Bond Market

REC’s Rs 500-crore tokenised bond takes India towards faster, safer and more efficient debt-market settlement while keeping the familiar bond architecture intact; writes Jitendra Srivastava

BY Jitendra Srivastava 13 Sept 2026 10:40 PM

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