भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CONSULTATION PAPER

Reduction in timelines for public issue of debt securities under the SEBI (Issue and Listing of Debt Securities) Regulations, 2008

A. Background:

1. SEBI, vide circular no. CIR. /IMD/DF-1/20/2012 dated July 27, 2012 had aligned the timelines for issue process of debt securities issued under the SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (ILDS regulations) with that of equity shares and convertibles, as provided in the SEBI circular CIR/CFD/DIL/1/2011 dated April 29, 2011. The said circular provided for indicative timelines with respect to the public issue process requiring trading to commence on T+12th day (wherein the T day is issue closing date).

2. Further, vide SEBI circular CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015, the time taken for listing after the closure of public issue of equity shares and convertibles was reduced to 6 working days. To enable such a reduction, Application Supported by Blocked Amount (ASBA) was made compulsory for all the investors applying in a public issue.

B. Need for change:

3. In the last few years, the corporate bonds market has emerged as one of the major sources of funding for the corporates as evidenced by increased number of issuances. Concurrently, various regulatory initiatives such as implementation of centralized database for corporate bonds, introduction of electronic book platform, capping of number of ISINs etc. have been taken towards the aim of developing the corporate bond market. In this direction, it is felt that existing issuance processes may be rationalized further to make it easier and friendly for both the issuers and investors.

4. It is felt that the present timeline of T+12 for listing and commencement of trading in case of public issue of debt securities is inefficient in terms of cost and time and does not ensure smooth functioning for the public issuance process. Also, non-application of ASBA for public issuances, physical holding of debt securities lead to unnecessary hassles pertaining to refunds, increased cost to the issuers as well as investors.

5. Thus, reduction in timeline for listing in case of public issue of debt securities, mandatory ASBA facility for making payment and mandatory holding of debt securities in demat form would not just accrue benefits to the investors but would also considerably ease the issuance process for the issuers in terms of cost and time.

C. Review process:

An agenda item was taken to the Corporate Bond and Securitization Advisory Committee (CoBoSAC) of SEBI wherein the committee recommended that ASBA may be made compulsory for public issue of debt securities along with reduction in timelines for allotment and commencement of trading from T+12 to T+6 and doing away with physical holding of debt securities.

D. Proposals:

I. Reduction in timeline in listing and trading post closure of the issue:

In order to ensure uniformity, standardization and streamlining of issuance of debt securities with that of equity shares and convertibles, it is proposed to reduce the time lines for the public issue of debt securities from T+12 to T+6. The detailed indicative timeline schedule may be as prescribed in the SEBI circular CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015 and a brief summary of indicative timeline schedule for various activities may be as under:

	Details of Activities	Due Date (working day)
i.	• Submission of bid-cum application form by the investors to intermediaries	Issue opening date to issue closing date (where T is issue closing date)
ii.	• Submission of receipt by the intermediaries to the investors; • Validation of electronic bid details by stock exchange(s) with depository records for PAN, DP ID, client ID etc	
iii.	• Issue closes	T (Issue closing date)
iv.	• Allowing modification of selected fields by the stock exchange(s) in the bid details already uploaded;	T+1

	• Registrar to get the electronic bid details from the stock exchanges by end of the day; • Registrar to give bid file received from stock exchanges containing the application number and amount to all the SCSBs who may use this file for validation / reconciliation at their end.	
v.	• SCSBs to send confirmation of funds blocked (Final Certificate) to the registrar by end of the day; Registrar shall reject multiple applications determined as such, based on common PAN.	T+2
vi.	• Registrar shall finalise the basis of allotment and submit it to the designated stock exchange for approval; • Designated Stock Exchange(s) to approve the basis of allotment	T+3
vii.	• SCSBs to credit the funds in public issue account of the issuer and confirm the same; Issuer shall make the allotment.	T+4
viii.	• Registrar to receive confirmation of demat credit from depositories; • Stock exchange(s) to issue commencement of trading notice.	T+5
ix.	Trading commences	T+6

II. Making ASBA mandatory for public issue of debt securities:

1. In order to ensure standardization and streamlining of issuance of debt securities with that of equity shares and convertibles, it is proposed to make ASBA mandatory for public issue of debt securities under the SEBI (ILDS Regulations).

2. It may be noted that mandatory ASBA facility would reduce the time taken for collecting banks to commence clearing of payment instruments, forwarding application forms along with bank schedules to registrar; undertaking of technical rejection test, submission of status of clearance status of payment instrument to around 4-5 days as against the present time of 7 days.

3. With ASBA facility, investors will be able to apply for subscription of debt securities and make payment by writing their bank account numbers and authorizing the banks to make payment in case of allotment by signing the application forms, thus obviating the need of writing the cheques. Hence, only the application amount will be blocked and no actual movement of money will happen from the account of the investors till allotment, thereby making the refund process easier, in case the securities are not allotted to her/him.

III. Mandatory allotment of debt securities in demat form:

1. An analysis of public issuance data of debt securities in the table below reveals that during calendar year 2016 and 2017, out of total number of investors, around 88.69% have opted to subscribe in demat mode as against only 11.31% of investors who have opted to receive debt securities in physical mode. In light of this data, it is evident that majority of investors are willing to subscribe to debt securities in demat mode.

Issuers	**Allotment in Demat form**		**Allotment in Physical form**		**Total**
	Number of investors	**Percentage of investors (%)**	**Number of investors**	**Percentage of investors (%)**	**Number of investors**
Issuer 1	43675	88.38	5742	11.62	49417
Issuer 2	32728	93.11	2421	6.89	35149
Issuer 3	4943	100.00	0	0.00	4943
Issuer 4	12018	92.75	940	7.25	12958
Issuer 5	91528	94.32	5515	5.68	97043
Issuer 6	22096	91.09	2160	8.91	24256
Issuer 7	26696	92.53	2156	7.47	28852
Issuer 8	37431	100.00	0	0.00	37431
Issuer 9	918	11.34	7174	88.66	8092
Issuer 10	36887	57.53	27230	42.47	64117
Issuer 11	61396	100.00	0	0.00	61396
Issuer 12	28548	97.44	750	2.56	29298

Issuers	Allotment in Demat form		Allotment in Physical form		Total
Issuer 13	15174	88.44	1983	11.56	17157
Issuer 14	36270	91.48	3378	8.52	39648
Issuer 15	89316	90.53	9341	9.47	98657
Total	**539624**	**88.69**	**68790**	**11.31**	**608414**

Source: NSDL and CDSL

2. It is therefore proposed that allotment and subscription of debt securities in demat mode may be made compulsory for public issue of debt securities under the SEBI (ILDS) Regulations for all classes of investors, without providing any flexibility of subscription in physical mode under the Depositories Act, 1996.

E. Public comments:

In the light of the above, public comments are invited on the consultation paper. Comments may be forwarded by email to or may be sent by post to the following address latest by May 14, 2018 to:

Ms. Richa Agarwal
Deputy General Manager
Department of Debt and Hybrid Securities
Securities and Exchange Board of India
SEBI Bhavan
C4-A, G Block
Bandra Kurla Complex
Mumbai - 400 051

Comments should be given in the following format:

Name of entity/ person/ intermediary: ____________________			
S. No.	Pertains to Point No.	Proposed/ suggested changes	Rationale

Issued on April 20, 2018