



**NAVIGATING THE BOUNDARY BETWEEN
PUBLIC ISSUE AND PRIVATE PLACEMENT
WHILE PLACING BONDS THROUGH
ONLINE PLATFORMS**

SHRESHTHA BARMAN

VINOD KOTHARI AND COMPANY

OUTLINE

□ **Difference between private placement and public issue**

- ✓ Meaning
- ✓ Intent
- ✓ Regulatory Difference

□ **Online Bond Platform Provider (OBPP)**

- ✓ Meaning
- ✓ Reasons for the growth of OBPP
- ✓ Online placement : private placement or public issue?
- ✓ Case Study
- ✓ Need for Regulations

□ **Regulatory Framework**

- ✓ Compliance requirements

MEANING

PRIVATE PLACEMENT

- Select group of investors (less than 200 people).

PUBLIC ISSUE

- Made to public at large.

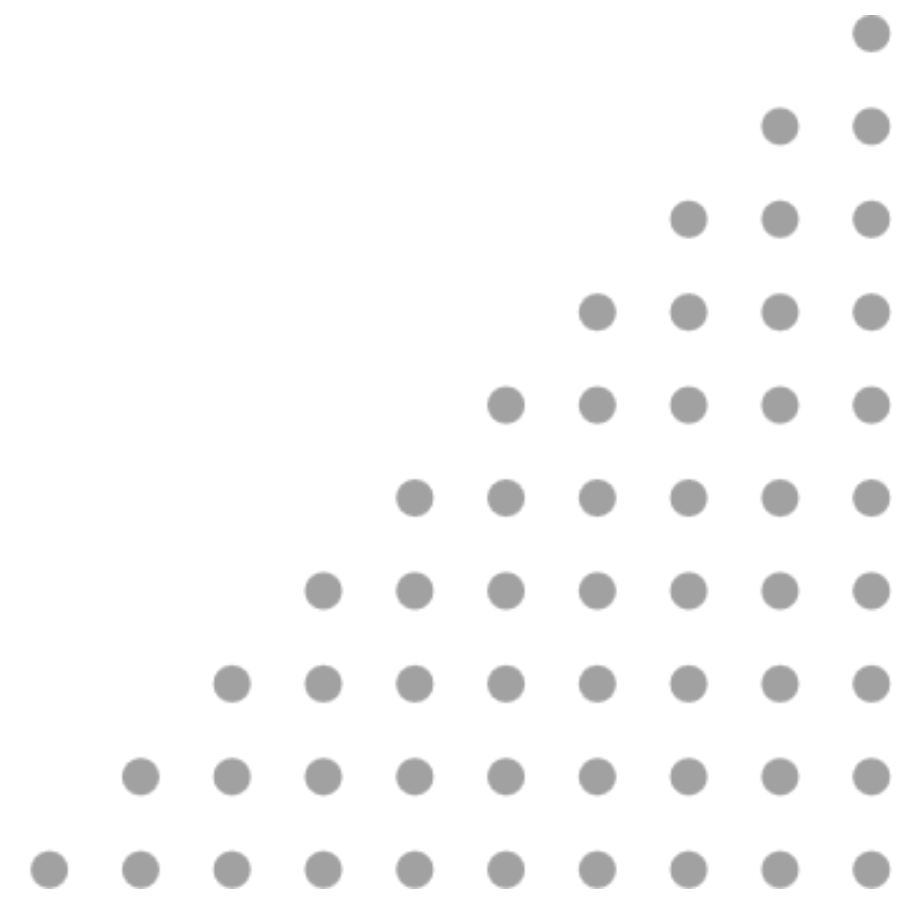
INTENT

PRIVATE PLACEMENT

- Targeted Investors
- Reduced disclosure requirements
- Faster Fundraising

PUBLIC ISSUE

- Broad Investor Participation
- Increase in Credit Rating
- Liquidity
- Visibility and Education

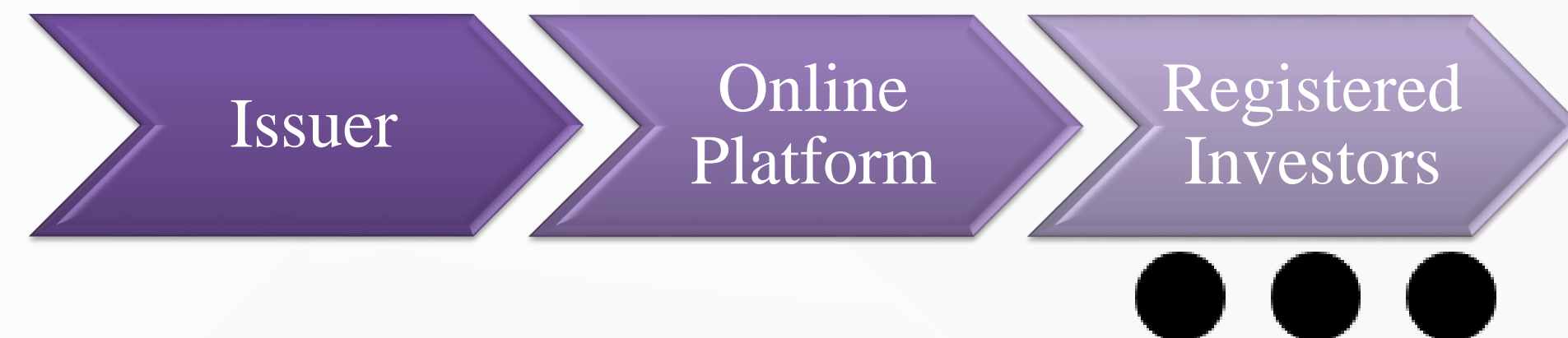
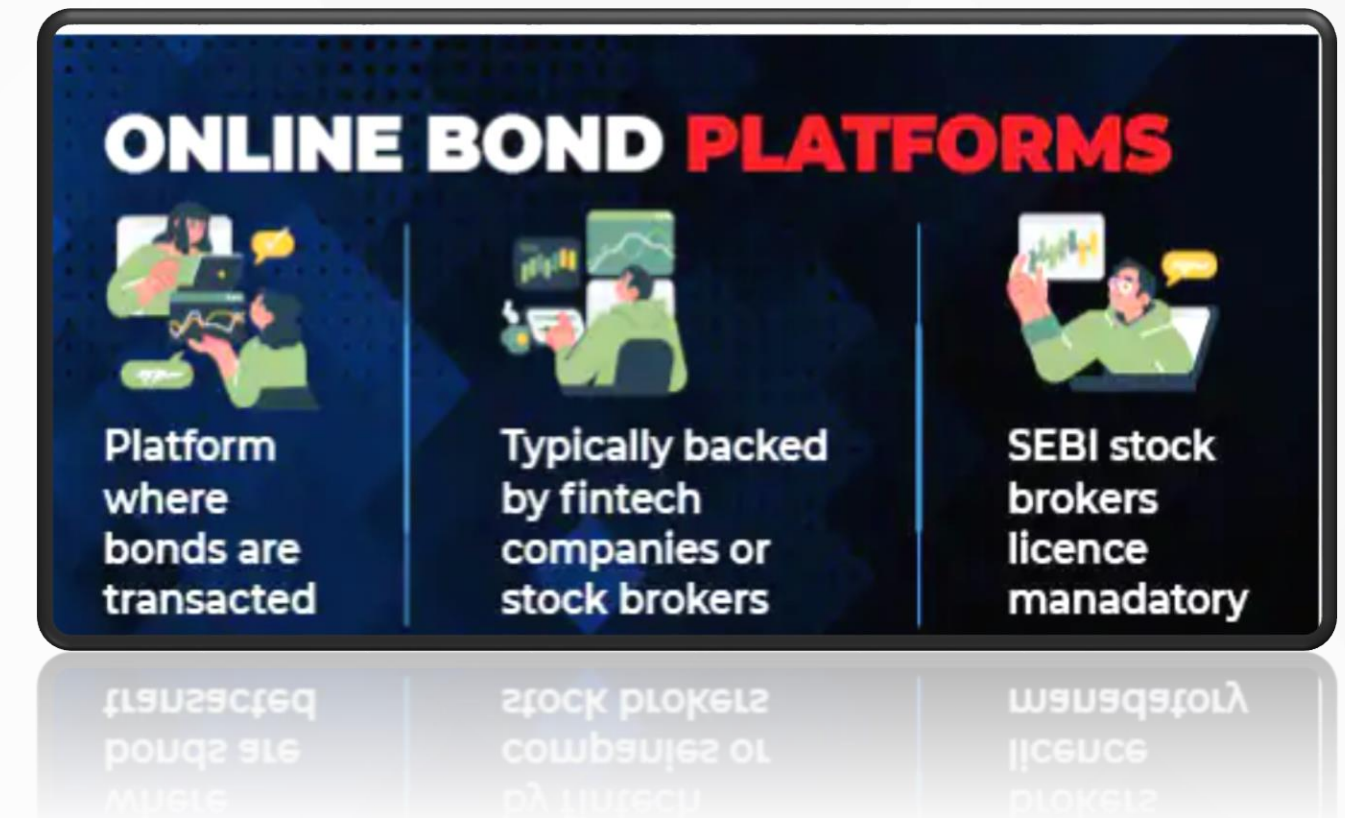


REGULATORY DIFFERENCE

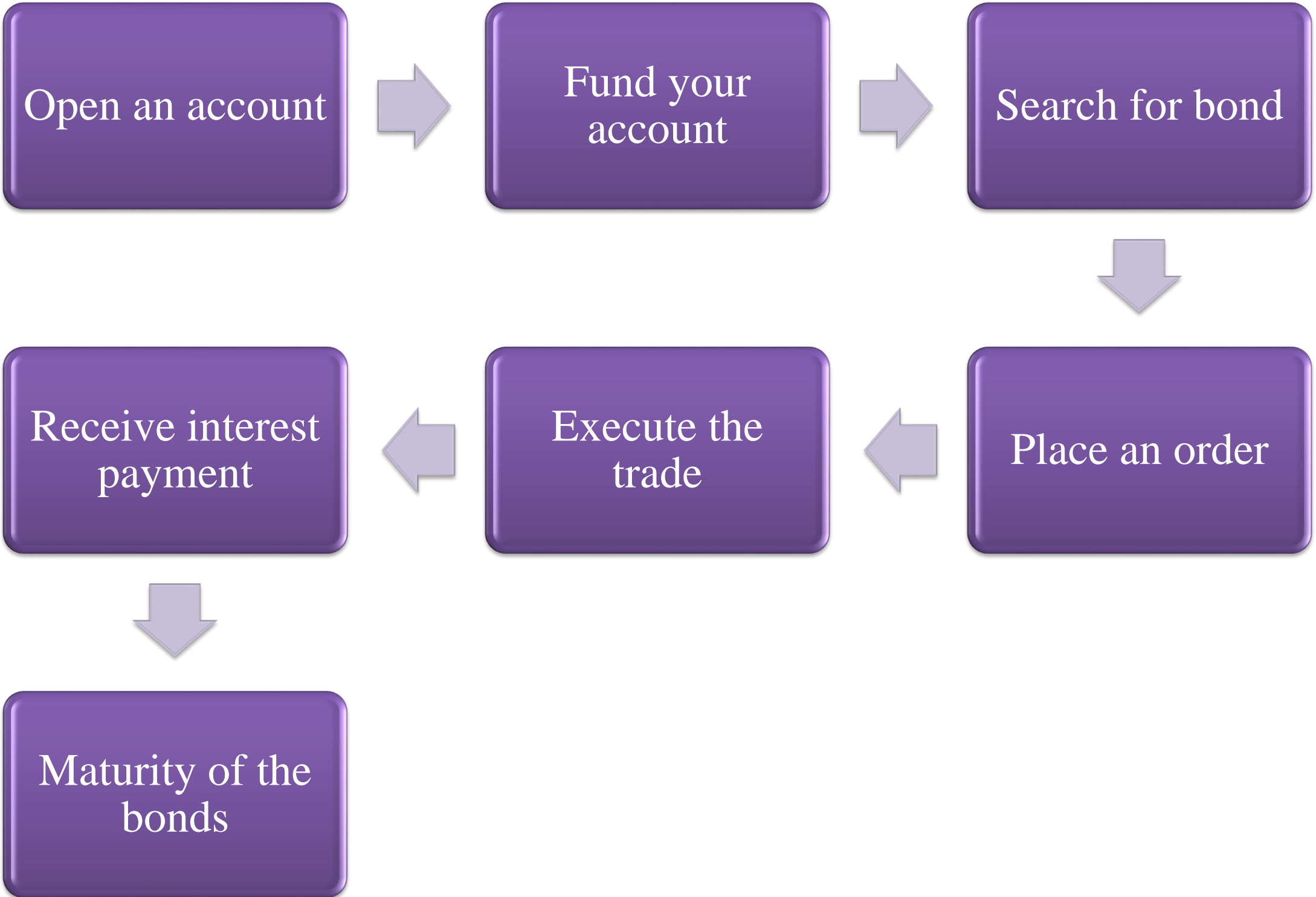
Parameters	Private Placement	Public issue
Appointment of debenture trustee	Not mandatory in case of unlisted securities	Mandatory
Offer Document	Required but is less extensive	Known as Prospectus Detailed in nature
Appointment of Lead Manager	Not mandatory	Mandatory
Advertising and Marketing	Prohibited	Allowed subject to compliances
Listing	Optional	Mandatory

WHAT IS ONLINE BOND PLATFORM PROVIDER?

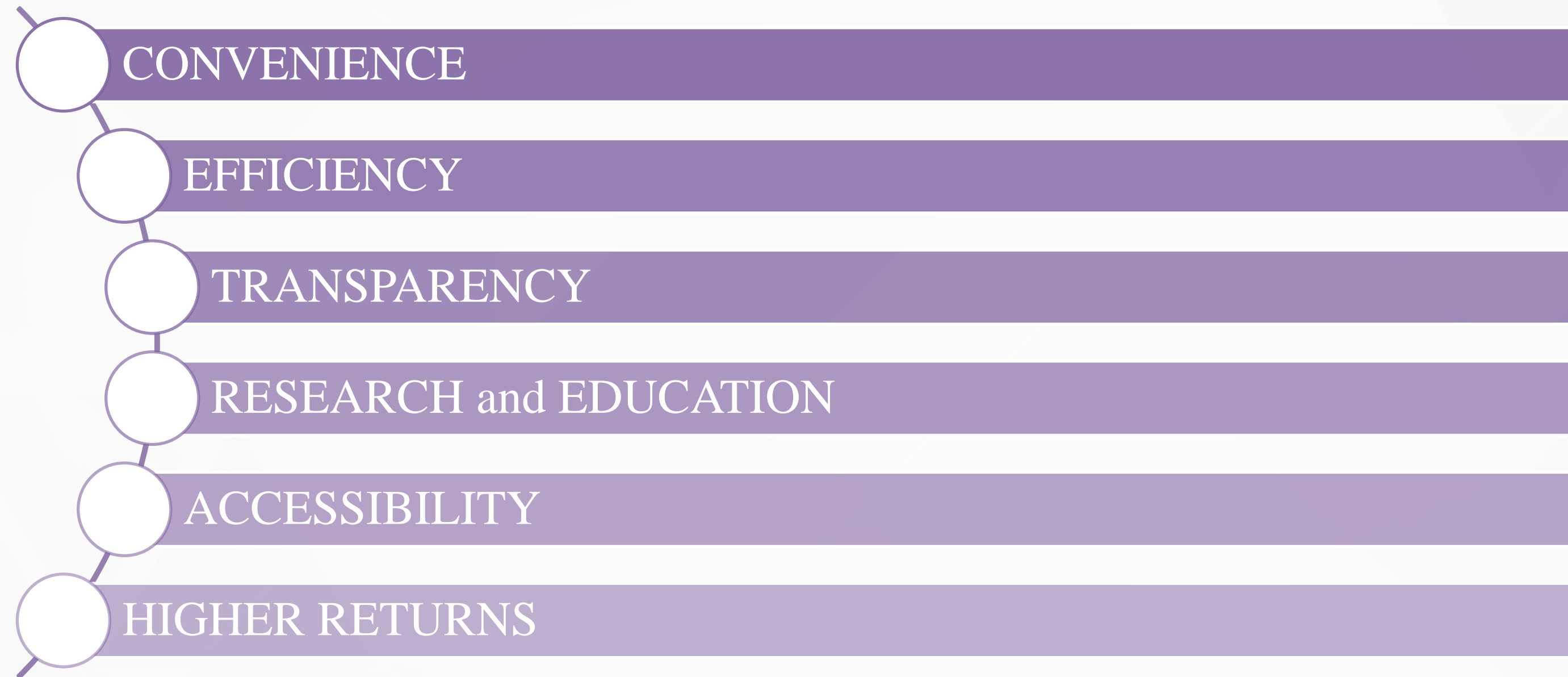
- ❑ An Electronic System
- ❑ Neither a Recognized Stock Exchange nor an Electronic Book Provider Platform
- ❑ Facilitates transactions in listed or to be listed debt securities



HOW AN OBPP WORKS



REASON FOR THE GROWTH OF OBPP



GROWTH



Financial Year	No. of issues offered for sale	No. of issues traded	No. of users registered on the platform	For institutional investors			For non-institutional investors		
				No. of Users/ investors who have transacted on bond platform	Volume of trades (Qty)	Volume of trades (Amt in crore)	No. of Users/ investors who have transacted on bond platform	Volume of trades (Qty)	Volume of trades (Amt in crore)
2019-20	0	0	0	0	0	0	0	0	0
2020-21	1	1	9862	0	0	0	2037	189350	19.935
2021-22	25	20	244671	1	2	36.12	5632	443158	120.54

**Data of two online bond platform provider from [SEBI consultation paper](#)*

PRIVATE PLACEMENT OR PUBLIC ISSUE? (1/2)

Is it violating any private placement norms?

- ✓ Breaching of thresholds of Section 42
 - Pre identified investors
 - Not more than 200
 - No right of renunciation
 - No public advertisements through any medium
- ✓ If Yes- Deemed Public Issue

PRIVATE PLACEMENT OR PUBLIC ISSUE?(2/2)

❑ Platform used as an intermediary

- ✓ clear nexus between subscription by the investor and down sell by such subscriber

❑ Secondary Sale by investor

- ✓ Monitoring of first issue for private placement

❑ Bonds are listed – Violation doesn't hold relevance

- ✓ Increase in number of disclosures under NCS Regulations for the listing of private placement of securities.

CASE STUDY

ANBRONICA TECHNOLOGIES PVT LTD

❑ Facts of the case:

- ✓ The Company was using was using the services of Tyke for distribution of its securities.
- ✓ Number of investors more than 200.
- ✓ Online pitching sessions accessible to investors
- ✓ Platform was collecting money from investors

❑ Issue of the case:

- ✓ Whether use of TYKE by the issuers would amount to using media which is violative of Sec 42(7)?

❑ Judgement:

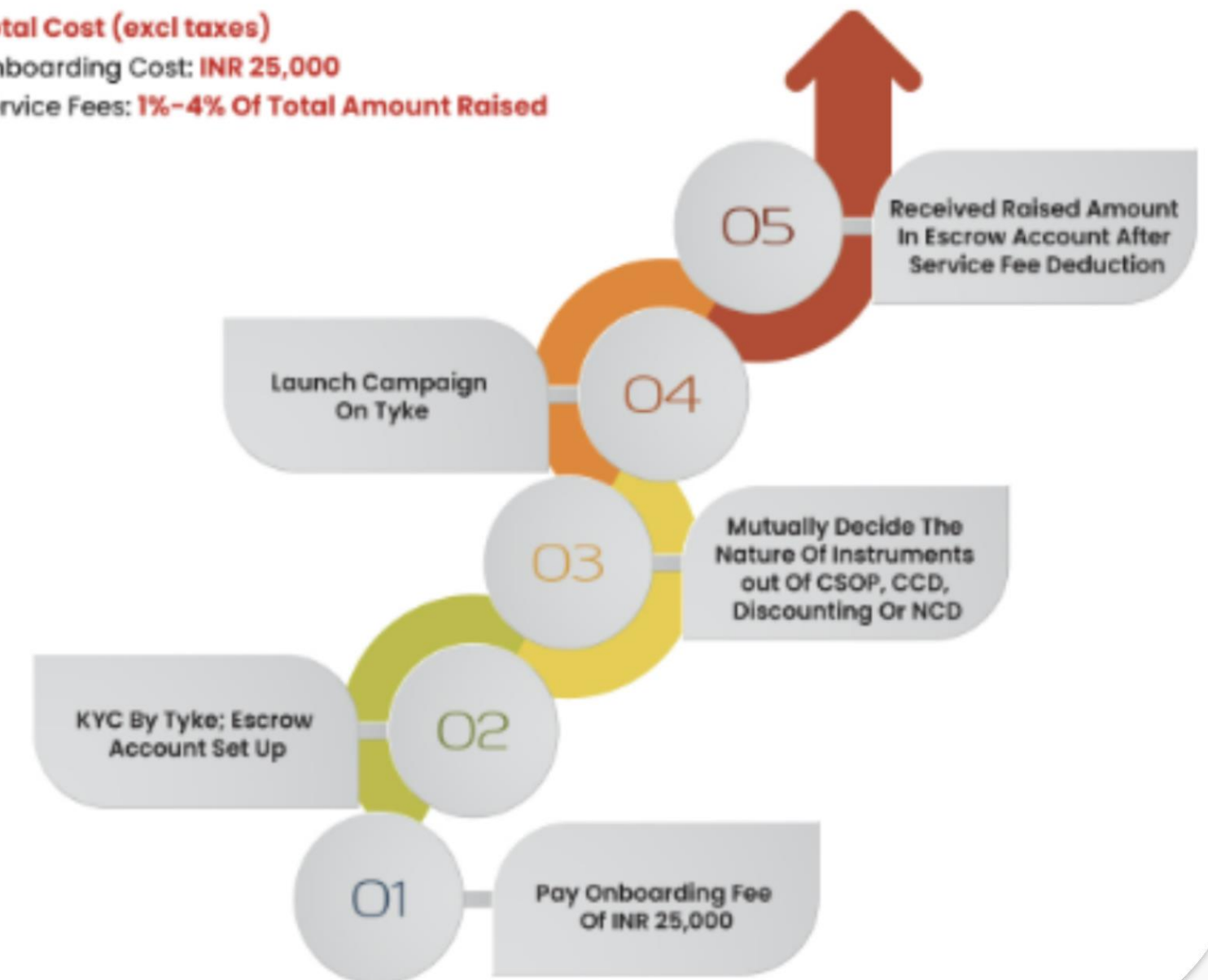
- ✓ Tyke and was used by the company as media/marketing/distribution channel to inform the public at large about issue of securities, thereby violating sec. 42(7) of the CA, 2013.

How Tyke Invest Works

Total Cost (excl taxes)

Onboarding Cost: INR 25,000

Service Fees: 1%-4% Of Total Amount Raised



WHY WAS THE CHECK NEEDED?

Lack of regulatory framework

No Standard KYC practice

Listed and unlisted securities offered on the same platform

No customer grievance redressal mechanism

Performing the roles of Clearing Corporations virtually

Mis-representation of Information on the platform

REGULATORY FRAMEWORK (1/2)

Registration

- Stock Broker License
- Debt Segment

Appointment of Officer

- CS as Compliance Officer
- 2 Qualified KMP

Grievance Redressal

- Exclusive E-mail Id and SCORES registration
- Information regarding Grievance Redressal Mechanism
- Investor Charter and Disclosure of Investor Complaints

Technology infrastructure

- Real time dissemination of information
- Data privacy

Disclosures

- Disclosures as per annex
- Minimum Disclosures as per Annex B
- Advertisement Disclosure as per Annex C



REGULATORY FRAMEWORK (2/2)

Issue of Receipts

- Order Receipt
- Deal Sheet
- Quote Receipt

Risk Profiling and Risk Management

- Questionnaire
- Prevention of Unauthorized Access

Alerts to investors and seller

- Continuous Communication

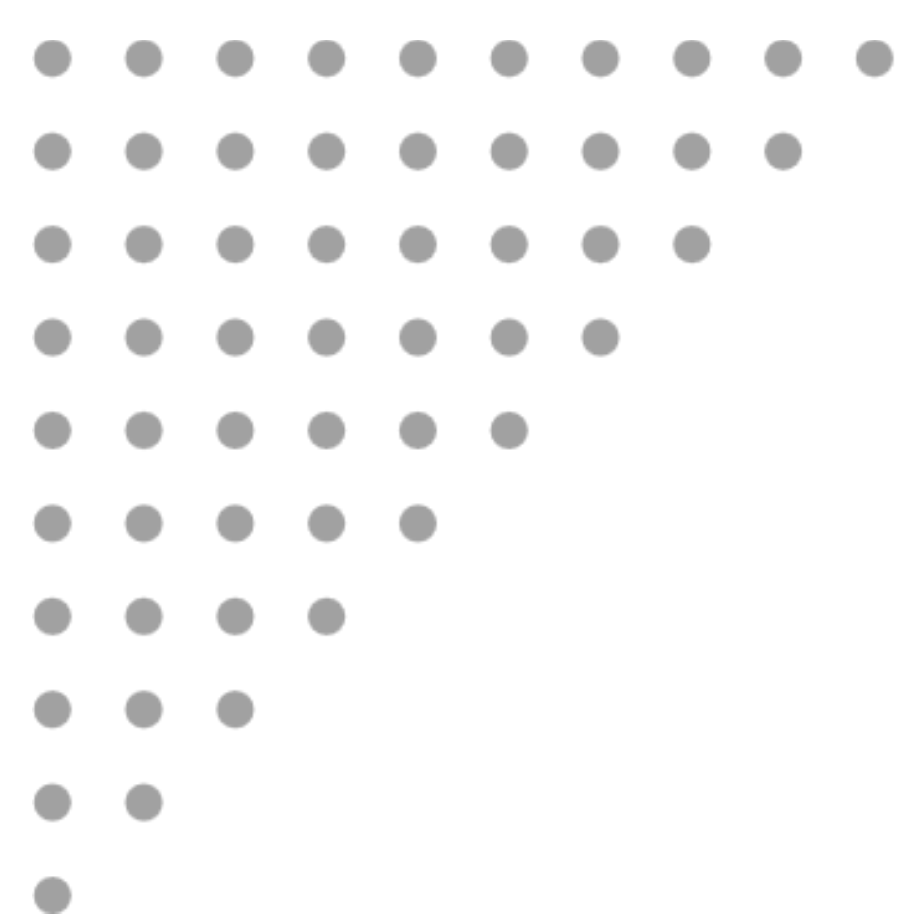
Exhaustive list of Products

- Listed or proposed to be listed debt securities, municipal debt securities and securitized debt instruments
- Listed Government Securities ,State development Loans and Treasury bills
- Sovereign Gold Bonds

Restricted access

- Holding /subsidiary/associate company cannot offer securities other than securities regulated by RBI/PFRDA/SEBI/IRDAI





THANK YOU

