SEBI proposes to ease compliance for issuers of non-convertible securities (NCS) | Consultation Paper

Nature of proposal	Existing requirement	Proposal	Rationale
Denomination of privately placed NCDs and NCRPS	Minimum face value of **Rs. 1 lac** per security	An alternative minimum face value of **Rs. 10,000** per security **only for plain vanilla securities** (i.e., without any structured obligations or credit enhancement etc) subject to **appointment of merchant banker**	To extend accessibility of corporate bonds market to non-institutional investors, with necessary risk mitigation through due diligence by merchant banker
Issuance of SDIs through private placement	Nothing prescribed currently except for general guidance under Reg 36(3) of SDI Regulations	**Two alternatives** to be provided: a. Minimum face value of Rs. 1 lac per SDI, or b. Minimum face value of Rs. 10,000 per SDI Mandatory appointment of merchant banker	To align the same on similar lines as in case of NCDs.
Ease of disclosures in offer document	Disclosure of **audited financial statements for 3 FYs as a part of the offer document**	For issuers having outstanding listed NCDs, **QR Code** may be provided **directing to the weblink of stock exchange's website** where such financial statements are hosted	To reduce the overall file size and make the offer document less bulky
	Disclosure in the offer document of information related to related party transactions, defaults in payments, material frauds etc. **updated as on the date of offer document**	Disclosures of such information to be provided **upto the latest quarter of the current financial year**	To enable the issuer to make disclosures on the basis of information available as per the last quarter, since this is not feasible to give details as on date
Shut period between record date and date of corporate action	**No regulatory mandate**, disclosure required	**15 days** before the due date of corporate action (payment of interest/redemption)	To ensure uniformity and standardization of market practice
Due diligence certificate by DT	Specifies formats for in-principle and final approval		Standardised formats aligning ILNCS Regulations & Master Circular
Newspaper publication of financial results	**Within 2 working days** from approval of board of directors	Newspaper publication to be made **optional**	To facilitate cost reduction, promote usage of digital media and impact on environment
Fast track public issue of NCDs	No provision currently	*kindly refer next slide*	

Fast Track Public Issue ("FTPI") of NCDs

Step involved	Public issue	FTPI
Offer document in the form of GID/ KID	**No such provision**	Provision **to be introduced with additional disclosures**
Public comments on draft offer document	**7** working days [Reg 27(2)]	**2** working days
Public advertisement	In **2 newspapers** before issue opening date [Reg 30]	Only **digital** advertisement
Subscription period	**3-10** working days [Reg 33A]	**1-10** working days
Minimum subscription	**75%** of base issue size	**Not required for banks and financial sector entities**
Retention of over subscription	Upto 100% of base issue size, i.e., **1 time** of base issue size	**5 times** of base issue size
Listing timeline	T+**6** (from closure of issue)	T+**3** (from closure of issue)

Additional eligibility criteria for FTPI

- Securities are **listed for minimum 3 consecutive years**
- **Compliant with LODR**, InviT and REIT Regulations, as applicable
- **Minimum rating** of proposed NCDs being **AA- or equivalent** by SEBI registered CRA
- **No downgrade** of issuer's **rating by two or more notches**, in **last 2 FYs** preceding date of filing GID/ KID
- **No regulatory action pending** against issuer, promoters, directors, sponsors or investment managers, before SEBI
- **No default** in repayment of deposits, debentures, term loans or interest thereon, preference shares or dividend thereon

Need for procedure of FTPI

- Currently private placement offers are predominant
- There is a need to encourage public issuance of NCDs to boost participation of non-institutional investors and broaden the investor base

The Consultation Paper can be accessed here
Our resources on corporate bonds can be accessed here

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