



CIRCULAR

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To
All Recognized Stock Exchanges
Issuers intending to issue debt securities
Merchant Bankers and brokers registered with SEBI

Dear Sir / Madam,

Sub: Electronic book mechanism for issuance of debt securities on private placement basis

1. SEBI (Issue and Listing of Debt Securities) Regulations, 2008, govern public issue of debt securities and listing of debt securities issued through public issue or on private placement basis, on a recognized stock exchange. Regulation 31(2) of SEBI (ILDS) Regulations, 2008 inter alia provides that:-

“In particular, and without prejudice to the generality of the foregoing power and provisions of these regulations, such orders or circulars may provide for all or any of the following matters, namely:

(a) Electronic issuances and other issue procedures including the procedure for price discovery; ”

2. Accordingly, in order to streamline procedures for issuance of debt securities on private placement basis and enhance transparency to discover prices, it has been decided to lay down a framework for issuance of debt securities on private placement basis through an electronic book mechanism.
3. To begin with, this electronic book mechanism would be mandatory for all private placements of debt securities in primary market with an issue size of Rs.500 crores and above, inclusive of green shoe option, if any.
4. The following issuers shall have an option to follow either electronic book mechanism or the existing mechanism:-
 - 4.1.issues with a single investor and where coupon rate are fixed. However arrangers acting as underwriters shall not be considered as single investors.
 - 4.2.issues wherein the issue size is less than Rs. 500 crores, inclusive of green shoe option, if any.

However, for all issues below Rs.500 crore, issuer shall disclose the coupon, yield, amount raised, number of investors and category of investors to the



Electronic Book Provider and/ or to the information repository for corporate debt market as notified by SEBI, in the format as specified.

5. Electronic book provider

5.1. The electronic book mechanism shall be provided by recognized stock exchange(s) only after obtaining prior approval from SEBI.

5.2. Such recognized stock exchange(s) referred to in Para 5.1 above shall be referred to as Electronic Book Provider (“EBP”).

5.3. The following shall be eligibility conditions for a recognised stock exchange to act as EBP:-

5.3.1. EBP shall provide an on-line platform for receiving bids in private placement of debt securities.

5.3.2. EBP shall own website/ URL (hereinafter referred to as bidding portal) on which it proposes to offer its services.

5.3.3. EBP shall have all the necessary infrastructure like adequate office space, equipments, risk management capabilities, manpower and other information technology infrastructure to effectively discharge the activities of EBP.

5.3.4. EBP shall ensure that there is adequate backup, disaster management and recovery plans for the electronic book mechanism so provided by EBP.

5.3.5. The EBP shall ensure safety, secrecy, integrity and retrievability of data.

5.3.6. The electronic book mechanism so provided by EBP would be subject to periodic audit by Certified Information Systems Auditor (CISA) under Annual System Audit prescribed by SEBI.

6. Participants in Electronic book mechanism

6.1. Issuer

6.1.1. Issuer shall have the same meaning as assigned under regulation 2(g) of ILDS Regulations, 2008.

6.2. Arranger, if any, appointed by the issuer

6.2.1. Merchant Bankers, RBI registered Primary Dealers or any other registered intermediaries as notified by SEBI from time to time, may act as the arranger.



6.2.2. Arranger shall be categorised as a Category 1 Participant who may enter bids on EBP either on proprietary basis or for other participants such as High Net worth Individuals (HNIs), Institutional investors etc.

6.3. Sub-arranger , appointed by the arranger

6.3.1. Any broker registered with SEBI may act as a sub-arranger

6.3.2. Sub- arranger shall be categorised as a Category 1 Participant who may enter bids on EBP either on proprietary basis or for other participants such as High Net worth Individuals (HNIs), Institutional investors etc.

6.4. Institutional Investors

6.4.1. Institutional Investors shall be as defined in Regulation 106 X (b) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

6.4.2. Institutional investors shall be categorised as Category 2 Participants who may enter bids on proprietary basis or may participate through an arranger/sub-arranger.

6.4.3. Institutional investors shall enter proprietary bids provided that minimum application or bid value is more than the minimum bid size as specified by the issuer.

6.5. All the investors apart from the Institutional Investors, shall enter bids only through Category 1 Participants.

7. Roles and responsibilities of participants in electronic book mechanism: The roles and responsibilities of each of the participants of electronic book mechanism shall be as follows:

7.1. The arranger or sub-arranger or EBP shall ensure Know Your Client (KYC) of the participants before allowing them to make bids as follows:

7.1.1. In case the participants are Qualified Institutional Buyers , KYCs shall be ensured by EBP; and

7.1.2. In case of other participants by the arranger or sub-arranger, as the case may be.

7.1.3. Arranger or Sub-Arranger or EBP may undertake KYC of participants by obtaining/utilizing existing KYCs of clients from KRAs registered with SEBI.



7.2. Issuer

7.2.1. The issuer shall ensure compliance with all requisite laws, rules, regulations, etc. with respect to private placement of debt securities.

7.2.2. With respect to disclosure in PPM, the following shall be ensured by the issuer:-

(a) Disclosures as has been prescribed in acts, rules, regulations, etc. Issuer shall specify minimum issue size which shall be inclusive of green shoe option, if any.

(b) Details with respect to green shoe option shall be disclosed along with the reasons for the retention of excess amount, if any.

(c) The PPM may not contain the coupon details, however, the PPM may contain upper ceiling limit.

7.2.3. The issuer shall enter into an agreement with the EBP containing necessary terms and conditions for usage of the electronic book mechanism, rights, duties, responsibilities, dispute resolution mechanism and liabilities of the issuer, EBP etc.

7.3. EBP

7.3.1. The EBP shall lay down operational procedure including steps for uploading of the private placement offer letter/ placement memorandum containing details about private placement, list of the eligible participants for bidding through electronic book, respective time lines for each event etc.

7.3.2. All the operational procedure laid down by the EBP shall be disclosed to the eligible participants.

7.3.3. The EBP shall be responsible for accurate, timely and secured bidding process of the electronic bid by the eligible bidders.

7.3.4. Notwithstanding the responsibility of the issuer as laid down below, the EBP shall be responsible for addressing investor grievances arising from bidding process.

7.4. Any dispute between issuer and bidders or between EBP or bidders before listing of privately placed debt securities in recognized Stock Exchange(s) shall be settled as per their agreement and post listing as per arbitration bye-laws of exchange.

8. Procedure for electronic book mechanism: The procedure to be followed for electronic book mechanism is as follows:



A. Pre-Bid Procedure

8.1. Participants shall be required to enroll with EBP before entering bids. However, enrollment of participants with EBP would not automatically qualify a participant to enter bids, as only eligible participants may participate in the bidding process.

8.2. Qualified Institutional Buyer as per Regulation 2 (zd) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and other eligible bidders (as determined by the issuer) may participate in the bidding process.

Provided that in case the issuer is Non-Banking Financial Companies which are registered with Reserve Bank of India and Housing Finance Companies registered with National Housing Bank, the Qualified Institutional Buyer, eligible bidders (as determined by the issuer) and other participants enrolled with EBP may participate in the bidding process subject to them complying with RBI requirements, if any prescribed in this regard.

8.3. The EBP shall provide the details of Qualified Institutional Buyer and other participants enrolled with EBP (if applicable) to the issuer.

8.4. All enrolled participants (other than Qualified Institutional Buyers) who wish to participate on any issue either directly or through arranger, as applicable would be required to pre-register before being allowed to access to the PPM or other information with respect to issue. However, if the number of such pre-registrations of participants (other than Qualified Institutional Buyers) exceed 200 in a year (cumulatively across all the issues of a particular issuer), then the eligible bidders would be determined by draw of lots or first come first served basis undertaken by the EBP in consultation with issuer so as to limit participants to 200 in a year.

8.5. Only the eligible participants shall have access to PPM and issue specific information and to the bidding portal provided by EBP. The bidding time window (bidding time, cooling period, renegotiation window etc.) shall be decided by issuer in consultation with the EBP which shall be disclosed to the bidders by EBP in advance.

B. Bidding Procedure

8.6. Bidding shall be allowed in the bidding time window specified by the issuer.

8.7. Bid shall be made by way of entering bid amount in Rupees (INR) and coupon/yield in basis points (bps).

8.8. Participants shall be allowed to enter multiple bids i.e. single participant may enter more than one bid.



8.9. EBP shall provide a facility for generation of acknowledgement number against such bids.

C. Post Bidding Procedure

8.10. All bids received within bidding time window shall be provided by EBP to the issuer after bidding process is over.

8.11. Issuer shall have the option to accept or reject bids received, if the issuer agrees to the yield so discovered.

8.12. Issuer shall provide details of accepted bids to depositories to make allotment.

8.13. EBP shall display bid details on the end of the bidding time window.

8.14. At the end of the bidding time window, EBP shall on an anonymous basis, disclose the aggregate volume data , including yield, amount including the amount of oversubscription, total bids received, rating(s), category of investor etc. to avoid any speculations.

8.15. For issues below Rs.500 crore, issuer shall upload details as mentioned in para 8.14 above with EBP and/or with information repository for corporate debt market as notified by SEBI, in the format as specified.

8.16. EBP shall upload the allotment data on its website to be made available to the public.

9. The provisions of this circular shall be applicable with effect from July 01, 2016.

10. Recognized Stock Exchanges are directed to:

- a. comply with the conditions laid down in this circular;
- b. put in place necessary systems and infrastructure for implementation of this circular;
- c. make consequential changes, if any, to the bye-laws of the Exchange as may be applicable and necessary;
- d. communicate to member brokers and create awareness among other participants;
- e. create awareness among issuers and participants.



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Securities and Exchange Board of India

11. This Circular is issued in exercise of powers conferred under Section 11(1) read with regulation 31(2) of ILDS Regulations of the Securities and Exchange Board of India Act, 1992.
12. This Circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework" and under the drop down "Corp Debt Market".

Yours faithfully,

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