



**CIRCULAR**

SEBI/HO/DDHS/CIR/P/2018/05

January 05, 2018

To

All Recognized Stock Exchanges (except Commodity Exchanges)

All Depositories

Issuers of debt securities/NCRPS

Merchant Bankers and Brokers registered with SEBI

Primary Dealers registered with RBI

Dear Sir / Madam,

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

1. SEBI vide circular No. CIR/IMD/DF1/48/2016 dated April 21, 2016, mandated usage of electronic book mechanism for issuance of debt securities on private placement basis
2. Subsequently, on receiving feedback from the market participants to further streamline the process, SEBI issued a consultation paper and sought public comments on the matter. On the basis of the market feedback and the feedback received on SEBI consultation paper, it has been decided to make suitable revisions to the existing framework for Electronic Book Mechanism.
3. The revisions made to the existing framework are aimed at further streamlining the procedure for private placement of debt securities, allowing private placement of other classes of securities which are in the nature of debt securities and enhancing transparency in the issuance, resulting in better discovery of price. The revised guidelines for the Electronic Book Mechanism are placed at Schedule-A annexed to this circular.
4. This circular shall come in to force with effect from April 01, 2018 and the SEBI circular CIR/IMD/DF1/48/2016 dated April 21, 2016 shall stand repealed from the date of the enforcement of this circular.



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5. Recognized Stock Exchanges are directed to:
  - 5.1. comply with the conditions laid down in this circular;
  - 5.2. put in place necessary systems and infrastructure for implementation of this circular;
  - 5.3. make consequential changes, if any, to their bidding portal and respective exchange bye-laws; and
  - 5.4. communicate and create awareness about these revised guidelines amongst issuers, arrangers and investors.
6. 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.
7. This Circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the categories “Legal Framework” and under the drop down “Corp Debt Market”.

Yours faithfully,

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**Schedule-A**

**1. Definition**

1.1. For the purpose of this circular, unless the context otherwise requires, the terms defined herein shall bear the meanings assigned to them below and shall be construed accordingly—

1.1.1. “Arranger” means a SEBI registered Merchant Banker, broker or a RBI registered Primary Dealer, who on behalf of the eligible participants bid on the EBP platform.

Provided, that any of the aforesaid entities, prior to acting as an arranger in an issue, shall be authorized by the issuer to act as an arranger for that issue.

1.1.2. “Bidder” means eligible participant bidding on EBP platform.

1.1.3. “Cut off yield” means the final yield so determined in an issue. In other words, it is the highest yield at which a bid is accepted.

1.1.4. “Eligible participant” means following:

- a) Qualified Institutional Buyers (QIBs), defined as per Regulation 2(zd) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- b) Any non-QIB investor including arranger(s), who/which has been authorized by the issuer, to participate in a particular issue on EBP Platform.

1.1.5. "Electronic Book Provider" or "EBP" means a recognized stock exchange(s), which pursuant to obtaining approval from SEBI, provides an electronic platform for private placement of securities.

1.1.6. "EBP Platform" or "Electronic Platform" means the platform provided by an EBP for private placement of securities.

1.1.7. “Estimated cut off yield” means yield so estimated by the issuer, prior to opening of issue

1.1.8. "Securities" for the purpose of this circular shall mean following:



- a) debt securities as defined under Regulation 2(e) of Issue and Listing of Debt Securities Regulations, 2008 ("ILDS Regulations" hereinafter);
- b) non-convertible redeemable preference shares ("NCRPS" hereinafter) as defined under Regulation 2(k) of SEBI (Non-Convertible Preference Shares) Regulations, 2013 ("NCRPS Regulations" hereinafter);
- c) debt securities as defined under 2(e) of SEBI (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015 ("ILD M Regulations" hereinafter)
- d) 'Commercial paper' and/or 'Certificate of Deposits' as defined under RBI guidelines

1.1.9. "Term Sheet" means summary of important terms and conditions related to an issue.

## **2. Securities eligible for issuance on EBP Platform**

2.1. All private placement of debt securities and NCRPS as per the provisions of ILDS and NCRPS Regulations, respectively, shall be required to be made through EBP Platform if it is:

- 2.1.1. a single issue, inclusive of green shoe option, if any, of Rs 200 crore or more;
- 2.1.2. a shelf issue, consisting of multiple tranches, which cumulatively amounts to Rs 200 crore or more, in a financial year;
- 2.1.3. a subsequent issue, where aggregate of all previous issues by an issuer in a financial year equals or exceeds Rs 200 crore.

2.2. An issuer, irrespective of issue size, if desires, may choose to access EBP platform for private placement of:

- 2.2.1. Debt securities as per provisions of ILDM Regulations
- 2.2.2. Commercial Paper; and
- 2.2.3. Certificate of Deposits.



### 3. Obligations of Issuer

3.1. The issuer, to the extent applicable, shall ensure compliance with all requisite laws, rules, regulations, etc. with respect to private placement of securities including ensuring compliance with Section 42 of Companies Act, 2013 and other relevant statutes.

Provided that, an issuer, shall consider the number of eligible participants, on whose behalf arranger is making bid in a particular issue, for the purposes of compliance with the provisions of Section 42 of the Companies Act, 2013 and other relevant statutes.

3.2. Issuer shall provide the private placement Memorandum (PPM)/ Information memorandum (IM) and term sheet to the EBP at least two working days prior to the start of issue opening date.

3.3. The issuers shall ensure that the PPM/IM and the term sheet, inter-alia, discloses following:-

3.3.1. Details of size of issue including green shoe option, if any.

3.3.2. Bid opening and closing date.

3.3.3. Minimum Bid Lot.

3.4. The issuer may choose to disclose estimated cut off yield to the EBP, however the same has to be disclosed at least one hour prior to opening of the bidding for the issue.

3.5. Subsequent to closure of the issue, the issuer shall provide to the EBP, details of the issue in following manner:

**Table 1**

Details of Investors to whom allotment has been made			
Name	QIB/Non QIB	Category i.e. Scheduled Commercial Banks, Mutual Fund, Insurance Company, Pension Fund, Provident Fund, FPI, PFI, Corporate, Others.	Amount invested (in Rs crore)



3.6. Issuers, which have done private placement of debt securities in terms of ILDS Regulations or ILDM Regulations or private placement of NCRPS as per NCRPS regulation and for whom accessing the platform is not mandatory (in terms of para 2.2 above), shall also upload details of the issue in the format as prescribed at Table 1 above. The said information has to be uploaded with any one of the EBPs within one working day of such issuance.

#### **4. Withdrawal of offer by an Issuer**

4.1. An issuer, at its discretion, may withdraw from the issue process at any time, however subsequent to such withdrawal, the issuer shall not be allowed to access any of the EBP platform for a period of 7 days from the date of such withdrawal.

4.2. If an issuer withdraws from the issue because of any of the reasons as outlined below, provisions of clause 4.1 shall not be applicable:

4.2.1. issuer is unable to receive the bids upto base issue size; or

4.2.2. bidder has defaulted on payment towards the allotment, within stipulated timeframe, due to which the issuer is unable to fulfill the base issue size; or

4.2.3. cutoff yield in the issue is higher than the estimated cut off yield disclosed to the EBP, where the base issue size is fully subscribed.

4.3. Disclosure of estimated cut off yield by EBP to the eligible participants, pursuant to closure of issue, shall be at the discretion of the issuer.

4.4. For issuers who have withdrawn the issue in terms of provisions of clause 4.2.3 above, EBP shall mandatorily disclose the estimated cut off yield to the eligible participants.

#### **5. Participants**

5.1. Participants, prior to entering into the bidding process shall be required to enroll with EBP. Such enrollment of a participant on an EBP will be one time exercise and shall be valid till the time such enrolment is annulled or rescinded.

5.2. The know your client (KYC) verification and enrolment of the eligible participants on the EBP platform shall be done in the following manner:



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- 5.2.1. KYC verification shall be undertaken by obtaining/utilizing existing KYCs of clients from KRAs registered with SEBI or on the basis of the guidelines as prescribed by SEBI from time to time.
  - 5.2.2. For QIB investors bidding directly or through arranger(s), KYCs and enrolment shall be done by the EBP.
  - 5.2.3. For Non QIB investors bidding directly, KYCs shall be done by the issuer and enrolment shall be done by the EBP;
  - 5.2.4. For Non QIB investors, which are bidding through arranger(s), KYC and enrolment on EBP shall be ensured by arranger(s).
- 5.3. All eligible participants shall have access to PPM/IM, term sheet and other issue specific information available on EBP.
- 5.4. Eligible participants bidding on proprietary basis, for an amount equal to or more than Rs.15 crore or 5% of the base issue size, whichever is lower, shall bid directly i.e. shall enter the bids directly on EBP platform.
- Provided that the foreign portfolio investors may bid through their custodians.
- 5.5. For bids made by an arranger for any particular issue, an arranger shall disclose following to the EBP at the time of bidding:
- 5.5.1. Specify that whether the bid is proprietary bid or is being entered on behalf of an eligible participant or is a consolidated bid i.e. an aggregate bid consisting of proprietary bid and bid(s) on behalf of eligible participants.
  - 5.5.2. For consolidated bid, arranger shall disclose breakup between proprietary bid and bid(s) made on behalf of eligible participants. Further, for bids entered on behalf of eligible participants, following shall be disclosed:
    - a) Names of such eligible participants;
    - b) category (i.e. QIB or non-QIB); and
    - c) quantum of bid of each eligible participant.
- 5.6. An arranger shall not bid on behalf of eligible participants if the amount exceeds the limits as specified in clause 5.4 above.



5.7. Pay-in towards the allotment of securities shall be done from the account of the bidder, to whom allocation is to be made.

Provided that for the bids made by the arranger on behalf of eligible participants, pay-in towards allotment of securities shall be made from the account of such eligible participants.

5.8. In case of non-fulfillment of bidding obligations by bidders, such bidders shall be debarred from accessing the bidding platform across all EBPs for a period of thirty days from the date of such default.

5.9. Pay in shall be done through clearing corporation of Stock Exchanges.

## **6. Bidding Process**

### **6.1. Bidding timings & period**

6.1.1. In order to ensure operational uniformity across various EBP platforms, the bidding on the EBP platform shall take place between 9 a.m. to 5 p.m. only, on the working days of the recognized Stock Exchanges.

6.1.2. The bidding window shall be open for the period as specified by the issuer in the bidding announcement, however the same shall be open for atleast one hour.

### **6.2. Bidding Announcement**

6.2.1. Issuer shall make the bidding announcement on EBP at least one working day before initiating the bidding process.

6.2.2. Bidding announcement shall be accompanied with details of bid opening and closing time, and any other details as required by EBP from time to time.

6.2.3. Any change in bidding time and/ or date by the Issuer shall be intimated to EBP, ensuring that such announcement is made within the operating hours of the EBP, atleast a day before the bidding date.

Provided that such changes in bidding date or time shall be allowed for maximum of two times.





### 6.3. Bidding & Allotment process

6.3.1. Bidding process on EBP platform shall be on an anonymous order driven system.

6.3.2. Bid shall be made by way of entering bid amount in Rupees (INR) and coupon/ yield in basis points (bps) i.e. up to four decimal places.

6.3.3. Modification or cancellation of the bids shall be allowed i.e. bidder can cancel or modify the bids made in an issue, subject to following:

- a) such cancellation/modification in the bids can be made only during the bidding period;
- b) no cancellation of bids shall be permitted in the last 10 minutes of the bidding period;
- c) in the last 10 minutes of the bidding period, only revision allowed would for improvement of coupon/yield and upward revision in terms of the bid size.

6.3.4. Multiple bids by a bidder shall not be permitted.

Provided that an arranger making multiple bids, where each bid is on behalf of different investor(s), the aforesaid provision shall not be applicable.

6.3.5. The bid placed in the system shall have an audit trail which includes bidder's identification details, time stamp and unique order number. Further against such bids, EBP shall provide an acknowledgement number.

6.3.6. All the bids made on a particular issue, should be disclosed on the EBP platform on a real time basis in following format:



**Table 2**

Yield (%)	Demand at that particular yield (in Rs. Crore)	Cumulative Demand (in Rs. Crore)

6.3.7. Allotment to the bidders shall be done on yield priority basis in the following manner:-

- a) All the bids shall be arranged in the ascending order of the yields, and a cut-off yield shall be determined.
- b) All the bids below the cut-off yield shall be accepted and full allotment should be made to such bidders.
- c) For all the bids received at cut-off yield, allotment shall be made on pro-rata basis.

## **7. Electronic Book Provider and its Obligations**

7.1. A recognized stock exchange identified to act as an EBP:-

7.1.1. shall provide an on-line platform for placing bids;

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

7.1.3. shall ensure that the private placement memorandum/information memorandum, term sheet and other issue related information is available to the eligible participants on its platform immediately on receipt of the same from issuer;

7.1.4. has adequate backup, disaster management and recovery plans are maintained for the EBP;

7.1.5. shall ensure safety, secrecy, integrity and retrievability of data.

7.2. The EBP platform so provided by the EBP shall be subject to periodic audit by Certified Information Systems Auditor (CISA).



7.3. EBP, shall make information related to the issue available on its website, in the format as under:

**Table 3**

Name of the issuer	Date of the issuance	Amount raised (Rs. In crore)	No. of Investors	Category of Investor (QIB/Non QIB)	Tenor (In months)	Coupon	Credit Rating

#### 7.4. Obligations and duties

- 7.4.1. EBP shall ensure that all details regarding issuance is updated on the website of the EBP.
- 7.4.2. EBPs shall together ensure that the operational procedure is standardized across all EBP platforms and the details of such operational procedure are disclosed on their website.
- 7.4.3. Where an issuer has disclosed estimated cut-off yield/range to the EBP, the EBP shall ensure its electronic audit trail and secrecy. Further, the same shall be disclosed on EBP platform in terms of clause 4.3 and 4.4 of this circular.
- 7.4.4. All EBPs shall ensure coordination amongst themselves and also with depositories so as to ensure that the cooling off period for issuers and debarment period for investors is adhered to.
- 7.4.5. EBP shall ensure that bidding is done in the manner as specified in the provisions of this circular.
- 7.4.6. The EBP shall be responsible for accurate, timely and secured bidding process of the electronic bid by the bidders.
- 7.4.7. The EBP shall be responsible for addressing investor grievances arising from bidding process.



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7.4.8. EBP shall ensure that the pay-in of funds towards allotment of securities, placed through EBP platform, are done through clearing corporation mechanism.