



# Central Depository Services (India) Limited

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## COMMUNIQUÉ TO REGISTRAR & TRANSFER AGENTS

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CDSL/OPS/RTA/POLCY/2023/164

August 9, 2023

### SEBI - MASTER CIRCULAR FOR DEBENTURE TRUSTEES

Issuer / RTAs are advised to refer to the press release of SEBI Circular viz. – **SEBI/HO/DDHS-PoD1/P/CIR/2023/109 dated March 31, 2023 updated as on July 06, 2023** regarding **Master Circular for Debenture Trustees [refer Annexure]**.

Issuer / RTAs are advised to take note of the same.

Queries regarding this communiqué may be addressed to: **CDSL – Helpdesk** Emails may be sent to: [helpdesk@cdslindia.com](mailto:helpdesk@cdslindia.com) and telephone number 08069144800.

sd/-

**Nilesh Shah**  
**Asst. Vice President – Operations**

## MASTER CIRCULAR<sup>1</sup>

SEBI/HO/DDHS-PoD1/P/CIR/2023/109

March 31, 2023

*(updated as on July 06, 2023)*

To

All Registered Debenture Trustees,  
Trustees Association of India (TAI)  
All Registered Credit Rating Agencies,  
Issuers who have listed and/ or propose to list Debt Securities and Municipal Debt Securities  
Recognized Stock Exchanges and  
Recognized Depositories

Madam/ Sir,

**Sub: Master Circular for Debenture Trustees**

1. Debenture Trustees are regulated under the provisions of Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993 ('**DT Regulations**'). While the broad framework for Debenture Trustees has been laid down in the DT Regulations, over the years, procedural/ disclosure requirements and obligations have been specified by SEBI through circulars.
2. For effective regulation of the corporate bond market and to enable the Debenture Trustees and other market stakeholders to get access to all the applicable circulars at one place, this Master Circular has been prepared.

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<sup>1</sup> Earlier called as 'Operational Circular'; renamed as 'Master Circular' from July 06, 2023

3. This Master Circular is a compilation of the relevant existing circulars, with consequent changes. The stipulations contained in these circulars have been detailed chapter-wise in this circular. Accordingly, the circulars listed in **Part-A** of **Annex-1** stand superseded by this Master Circular. Further, the applicability of provisions of the circulars listed in **Part-B** of **Annex-1**, to the extent they pertain to Debenture Trustees, has been rescinded.
4. For ease of reference, each chapter of this Master Circular contains footnotes corresponding to the respective erstwhile circulars. The terms 'Issuer' and 'listed entity' have been used interchangeably in this Master Circular.
5. Notwithstanding the supersession as mentioned in Clause 3 of this circular<sup>2</sup>, -
  - 5.1 anything done or any action taken or purported to have been done or taken under the rescinded circulars, prior to such rescission, shall be deemed to have been done or taken under the corresponding provisions of this Master Circular; and
  - 5.2 any application made to the Board under the rescinded circulars, prior to such rescission, and pending before it shall be deemed to have been made under the corresponding provisions of these regulations;
6. Debenture Trustees are directed to comply with the conditions laid down in this Master Circular and it is reiterated that Debenture Trustees shall have necessary systems and infrastructure in place for implementation of this circular. The Board of Directors of the Debenture Trustee shall be responsible for ensuring compliance with these provisions
7. This Circular is issued in exercise of powers conferred under:
  - 1.1 Section 11(1) of Securities and Exchange Board of India Act, 1992;

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<sup>2</sup>Inserted on July 06, 2023

- 1.2 Regulation 2A of the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993
- 1.3 Regulation 55 of the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021; ('**SEBI NCS Regulations**')
- 1.4 Regulation 29 of Securities and Exchange Board of India (Issue and Listing of Municipal Debt Securities) Regulations 2015;
- 1.5 Regulation 101 (1) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 ('**SEBI LODR Regulations**')

to protect the interest of investors in securities and to promote the development of, and to regulate, the securities market.

2. **Applicability:** The provisions of the Master Circular shall come into force with effect from April 01, 2023, unless specifically mentioned otherwise in this circular<sup>3</sup>.
3. This Circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under "Legal Framework".

Yours faithfully,

**Pradeep Ramakrishnan**  
**General Manager**  
**Department of Debt and Hybrid Securities**  
**+91 – 022 2644 9246**  
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<sup>3</sup>Phrase "unless specifically mentioned otherwise in this circular" inserted on July 06, 2023

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## Chapter I: Terms of Registration

### 1. Online Registration Mechanism for Debenture Trustees<sup>4</sup>

1.1. The SEBI Intermediary Portal is available at <https://siportal.sebi.gov.in> for SEBI registered intermediaries including Debenture Trustees to submit registration applications online. SEBI Intermediary Portal shall *inter-alia* include online application for registration, processing of application, grant of final registration, application for surrender/ cancellation, submission of periodical reports, requests for change of name/ address/ other details, etc. The Link for SEBI Intermediary Portal is also available on SEBI website – [www.sebi.gov.in](http://www.sebi.gov.in).

1.2. All applications for registration/ surrender/ other requests will be made through SEBI Intermediary Portal only. The applicants will be separately required to submit relevant documents viz. declarations/ undertakings required as a part of application forms prescribed in relevant regulations, in physical form, only for records without impacting the online processing of applications for registration.

1.3. In case of any queries and clarifications with regard to the SEBI Intermediary Portal, Debenture Trustees may contact on 022-26449364 or may write at [portalhelp@sebi.gov.in](mailto:portalhelp@sebi.gov.in).

### 2. Digital Mode of Payment<sup>5</sup>

2.1. SEBI has enabled digital mode of payment (RTGS/ NEFT/ IMPS etc.) for fees/ penalties/ remittance/ other payments etc.

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<sup>4</sup> SEBI/HO/MIRSD/MIRSD1/CIR/P/2017/38 dated May 02, 2017;

<sup>5</sup> SEBI/HO/GSD/T&A/CIR/P/2017/42 dated May 16, 2017;

2.2. In order to identify and account for such direct credit in the SEBI account, Debenture Trustee shall provide the information to SEBI once the payment is made as per the format specified below:

Date	
Department of SEBI	
Name of Intermediary/ Other Entities	
Type of Intermediary	
SEBI Registration Number (if any)	
PAN	
Amount (INR)	

Purpose of Payment (including the period for which payment was made e.g. quarterly, annually)	
Bank name and Account number from which payment is remitted	
UTR No	

2.3. The above information should be emailed to the respective department(s) as well as to the Treasury & Accounts division at tad@sebi.gov.in.

### 3. Grant of prior approval to Debenture Trustee for change in control<sup>6</sup>

3.1. Debenture Trustee is required to obtain prior approval of SEBI in case of change in control. With a view to expedite the process of granting prior approval, SEBI has adopted a 'single window clearance at SEBI', for the Debenture Trustees in case of their having multiple registrations with SEBI.

<sup>6</sup> CIR/MIRSD/14/2011 dated August 02, 2011;

3.2. Therefore, in case a Debenture Trustee holds multiple registrations with SEBI, it shall make only one application addressed to "Chief General Manager, Department of Debt and Hybrid Securities, SEBI" accompanied by the following information:

- a) Whether any application was made in the past to SEBI seeking registration in any capacity but it was not granted? If yes, details thereof.
- b) Whether any action has been initiated/ taken under SCRA/ SEBI Act or rules and regulations made thereunder? If yes, status thereof along with corrective action taken to avoid such violations in the future.
- c) The acquirer shall also confirm that it shall honour all past liabilities/ obligations of the applicant, if any.
- d) Whether any investor complaint is pending? If yes, steps taken and confirmation that the acquirer shall resolve the same.
- e) Details of litigation, if any.
- f) That all the fees due to SEBI have been paid.
- g) That there will not be any change in the Board of Directors of incumbent or in its management team, till the time prior approval is granted.
- h) That the incumbent shall inform all its existing investors/ clients in order to enable them to take informed decisions regarding their continuance or otherwise with the entity with new management.

3.3. Further, in case the incumbent is a registered stock broker and/ or depository participant, in addition to the above, it shall obtain approval/ NOC from all the Stock Exchanges/ Depositories, where the incumbent is a member/ Depository Participant and forward a self-attested copy of the same to SEBI.

3.4. The prior approval granted by SEBI shall be valid for a period of 180 days from the date of communication.



**4. Effect on change in control in case of transfer of shareholdings among immediate relatives and transmission of shareholdings in case of a Debenture Trustee being an unlisted body corporate<sup>7</sup>**

In the following scenarios, change in shareholdings of a Debenture Trustee will not be construed as change in control:

- 4.1. Transfer of shareholding among immediate relatives shall not be treated as resulting in change in control;
- 4.2. Transfer of shareholding by way of transmission to immediate relative or not, shall not be treated as resulting in change in control

*Immediate relative shall be construed as defined under Regulation 2(l) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 which inter-alia includes any spouse of that person, or any parent, brother, sister or child of the person or of the spouse*

- 4.3. Incoming shareholders in the Debenture Trustee, pursuant to transfer of shares from immediate relative/ transmission of shares (immediate relative or not), need to satisfy the fit and proper person criteria stipulated in Schedule II of SEBI (Intermediaries) Regulations, 2008.

**5. Transfer of business by SEBI registered intermediaries to other legal entity<sup>8</sup>**

SEBI has been receiving registration applications pursuant to transfer of business (SEBI regulated business activity) from one legal entity which is a SEBI registered Intermediary (transferor) to other legal entity (transferee). In this regard, following is clarified:

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<sup>7</sup> SEBI/HO/MIRSD/DOR/CIR/P/2021/42 dated March 25, 2021;

<sup>8</sup> SEBI/HO/MIRSD/DOR/CIR/P/2021/46 dated March 26, 2021;

5.1. The transferee shall obtain fresh registration from SEBI in the same capacity before the transfer of business if it is not registered with SEBI in the same capacity. SEBI shall issue new registration number to transferee different from transferor's registration number in the following scenario:

- a) "Business is transferred through regulatory process (pursuant to merger/ amalgamation/ corporate restructuring by way of order of primary regulator/ govt./ NCLT, etc.) or non-regulatory process (as per private agreement/ MOU pursuant to commercial dealing/ private arrangement) irrespective of transferor continues to exist or ceases to exist after the said transfer.
- b) In case of change in control pursuant to both regulatory process and non-regulatory process, prior approval and fresh registration shall be obtained. While granting fresh registration to same legal entity pursuant to change in control, same registration number shall be retained.
- c) If the transferor ceases to exist, its certificate of registration shall be surrendered.
- d) In case of complete transfer of business by transferor, it shall surrender its certificate of registration.
- e) In case of partial transfer of business by transferor, it can continue to hold certificate of registration.

## 6. Surrender of Certificate of Registration<sup>9</sup>

6.1. If a Debenture Trustee wishes to surrender the certificate of registration voluntarily, it shall transfer, wherever relevant, its existing business/ client accounts to another SEBI registered Debenture Trustee, before making such request to SEBI in the format specified in **Annex-IA** of this Master Circular.

6.2. The Debenture Trustee may, if it so desires, make a representation for dispensing with the procedure, along with the application, for surrender in terms of the first proviso to Regulation 33B of SEBI (Intermediaries) Regulations, 2008.

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<sup>9</sup> SEBI/MIRSD/DR-2/SRP/Cir - 2/ 2005 dated January 4, 2005;

6.3. In all cases of transfer of business or client accounts to another registered Debenture Trustee, the clients shall not be subjected to any additional cost.

## 7. Designated e-mail ID for regulatory communication with SEBI<sup>10</sup>

7.1. In order to facilitate the issuance of digitally signed circulars, Debenture Trustees are required to create a designated email-id for regulatory communications. This email-id shall be exclusively for the above purpose and should not be person centric.

7.2. The designated email-id shall be communicated to SEBI by emailing a file to [dt@sebi.gov.in](mailto:dt@sebi.gov.in), as prescribed below:

- The file should be an excel file;
- The name of the file and the subject of the email shall specify the type of Debenture Trustee and the name of the Debenture Trustee. For example – “Debenture Trustee – ABC co. Ltd – communication of designated email-id.”
- The file shall contain the following details:

Name	Address	Category	Registration No.	Designated email id	Name of compliance officer

<sup>10</sup> MIRSD/ DPSIII/ Cir-21/ 08 dated July 7, 2008;

**Application form for surrender of certificate of registration by Debenture Trustee**

To

Securities and Exchange Board of India

Sir/ Ma'am,

**Sub: Surrender of Certificate of Registration as Debenture Trustee, Registration No. \_\_\_\_.**

1. We hereby surrender our certificate of registration as Debenture Trustee.
2. We enclose the original certificate of registration (or indemnity in case the certificate is lost or stolen) for cancellation.
3. We hereby confirm that:
  - a. no complaint/ disciplinary proceeding is pending against us;
  - b. no investigation/ inquiry by SEBI is pending against us with respect to our activities as a Debenture Trustee;
  - c. as on date of application, we have paid all fees;
  - d. we shall continue to be liable for all liabilities/ obligations (including monetary penalties, if any) for violations, if any, of the provisions of the SEBI Act, Rules and the SEBI (Debenture Trustee) Regulations, 1993 that have taken place before our surrender of certificate of registration;
  - e. all our current assignments as a Debenture Trustee have been either duly terminated or transferred to another registered Debenture Trustee \_\_\_\_\_ with registration no.\_\_\_\_;
  - f. we have issued a public notice in a widely circulated national and a regional daily dated\_\_\_\_\_ informing surrender of our registration as Debenture Trustee (Please enclose a clipping of the said public notice);

- g. We have notified the Depositories and all the Stock Exchanges where our client companies are listed about the surrender of our registration.
4. \*We hereby request SEBI to dispense with the procedure laid down in Regulation 33B of Securities and Exchange Board of India (Intermediaries) Regulations, 2008 while processing our request for surrender of certificate of registration.

Thanking you,

Yours faithfully,

Name:

(Whole time/ Managing Director/ Principal Officer)

*\*Please strike off, if not applicable.*

## **Chapter II: Due Diligence by Debenture Trustees**

### **1. Appointment of Debenture Trustee**

A Debenture Trustee shall ensure compliance with the provisions of the regulations 13 and 13A of DT Regulations with regard to being appointed as a Debenture Trustee in relation to an issue.

### **2. Due Diligence in respect of Secured Debt Securities<sup>11</sup>**

The Debenture Trustee shall ensure the following with regard to due diligence at the time of creation of security:

#### **2.1. Documents/ Consents required at the time of entering into debenture trustee agreement**

In order to enable the Debenture Trustee to exercise due diligence with respect to creation of security, the Issuer at the time of entering into debenture trustee agreement shall provide the following information/ documents to the Debenture Trustee:

- a) Details of assets, movable property and immovable property on which charge is proposed to be created including title deeds (original/ certified true copy by issuers/ certified true copy by existing charge holders, as available) or title reports issued by a legal counsel/ advocates, copies of the relevant agreements/ Memorandum of Understanding, copy of evidence of registration with Sub-registrar, Registrar of Companies, Central Registry of Securitization Asset Reconstruction and Security Interest (CERSAI) etc.

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<sup>11</sup>SEBI/HO/MIRSD/CRADT/CIR/P/2020/218 dated November 03, 2020, SEBI/HO/DDHS/DDHS\_Div1/P/CIR/2022/106 dated August 04, 2022 and SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2022/176 dated December 19, 2022

- b) For unencumbered assets, an undertaking that the assets on which charge is proposed to be created are free from any encumbrances.
- c) For encumbered assets, on which charge is proposed to be created, the following consents along-with their validity as on date of their submission:
  - i. Details of existing charge over the assets along with details of charge holders, value/ amount, copy of evidence of registration with Sub-registrar, Registrar of Companies, CERSAI, Information Utility (IU) registered with Insolvency and Bankruptcy Board of India (IBBI) etc. as applicable;
  - ii. Consent/ No-objection certificate (NOC) from existing charge holders for further creation of charge on the assets or relevant transaction documents wherein existing charge holders have given conditional consent/ permission to the Issuer to create further charge on the assets, along-with terms of such conditional consent/ permission, if any; and
  - iii. Consent/ NOC from existing unsecured lenders, in case, negative lien is created by Issuer in favour of unsecured lenders.
- d) In case of personal guarantee or any other document/ letter with similar intent is offered as security or a part of security:
  - i. Details of guarantor viz. relationship with the Issuer; and
  - ii. Net worth statement (not older than 6 months from the date of debenture trustee agreement) certified by a chartered accountant of the guarantor; and
  - iii. List of assets of the guarantor including undertakings/ consent/ NOC as per para 2.1(b) and 2.1(c) above; and
  - iv. Conditions of invocation of guarantee including details of put options or any other terms and conditions which may impact the security created; and

- v. List of previously entered agreements for providing guarantee to any other person along with an undertaking that there are no agreements other than those provided in the list, if any.
- e) In case of corporate guarantee or any other document/ letter with similar intent is offered as security or a part of security:
- i. Details of guarantor viz. holding/ subsidiary/ associate company etc.;
  - ii. Audited financial statements (not older than 6 months from the date of debenture trustee agreement) of guarantor including details of all contingent liabilities;
  - iii. List of assets of the guarantor along-with undertakings/ consent/ NOC as per para 2.1(b) and 2.1(c) above;
  - iv. Conditions of invocation of guarantee including details of put options or any other terms and conditions which may impact the security created;
  - v. Impact on the security in case of restructuring activity of the guarantor;
  - vi. Undertaking by the guarantor that the guarantee shall be disclosed as
  - vii. “contingent liability” in the “notes to accounts” forming part of the financial statements of the guarantor;
  - viii. Copy of Board resolution of the guarantor for the guarantee provided in respect of the debt securities of the Issuer;
  - ix. List of previously entered agreements for providing guarantee to any other person along with an undertaking that there are no agreements other than those provided in the list, if any.
- f) In case of any other contractual comforts/ credit enhancements provided for or on behalf of the issuer, it shall be required to be legal, valid and enforceable at all times, as affirmed by the issuer. In all other respects, it shall be dealt with as specified above with respect to guarantees.
- g) In case securities (equity shares, etc.) are being offered as security then a holding statement from the depository participant along with due pledge of



such securities in favour of Debenture Trustee in the depository system shall be ensured.

- h) Details of any other form of security being offered viz. Debt Service Reserve Account, etc.
- i) Any other information, documents or records required by the Debenture Trustee with regard to creation of security and perfection of security.

## **2.2. Due diligence by a Debenture Trustee for creation of security**

2.2.1. Regulation 15(6) of DT Regulations inter-alia requires a Debenture Trustee, to exercise independent due diligence to ensure that security is free from encumbrances, adequate consent has been taken from existing charge holders, if any, etc. Regulation 15(1)(i) of DT Regulations places obligations on the Debenture Trustee to ensure that the assets of the Issuer are sufficient to discharge the interest and principal amount with respect to debt securities of the Issuer at all times.

2.2.2. A Debenture Trustee, by itself or through professionals appointed and compensated/ remunerated by the Debenture Trustee viz., practicing chartered accountant, practicing company secretary, registered valuer, or legal counsel shall independently carry out due diligence. The terms and conditions with respect to exercising due diligence shall also be included in the debenture trustee agreement. The due diligence to be exercised by Debenture Trustee with respect to creation of security shall inter-alia include the following:

- (a) Debenture Trustee shall verify that the assets provided by Issuer for creation of security are free from any encumbrances or necessary permissions or consents has been obtained from existing charge holders by carrying out the following checks:

- (i) Verify from Registrar of Companies, Sub-registrar, CERSAI, IU or other sources where charge is registered/ disclosed as per terms.
- (ii) In case of conditional consent/ permission received as per para 2.1(c)(ii) above:

- (A) Verify whether such conditional consent/ permission given to Issuer by existing charge holders is valid as per terms of transaction documents; and
- (B) Intimate existing charge holders through necessary and appropriate means (including via e-mail) about the proposal to create further charge on assets by Issuer seeking their comments/ objections, if any, to be communicated to the Debenture Trustee within next five working days.

- (b) In case of personal guarantee, corporate guarantee and any other guarantees/ form of security, the Debenture Trustee shall verify the relevant filings made on websites of Ministry of Corporate Affairs, Stock Exchange(s), CIBIL, IU etc. and obtain appraisal report, necessary financial certificates from professionals as referred earlier in this Chapter.

2.2.3. A Debenture Trustee, by itself or by engaging professionals, shall prepare one or more reports viz. valuation report, ROC search report, title search report/ appraisal report, security cover certificate, any other report/ certificate as applicable etc. and shall independently assess that the assets for creation of security are adequate for the proposed issue of debt securities.

2.2.4. A Debenture trustee shall issue 'due-diligence certificate' to the Issuer, as per format specified in **Annex-IIA** of this Master Circular, subject to the following:

- (a) Information on consents/ permissions required for creation of further charge on assets is adequately disclosed in Offer Document ('OD')/ Placement Memorandum ('PM').
- (b) All disclosures made in the OD/PM with respect to creation of security are in conformity with the clauses of debenture trustee agreement.
- (c) All covenants proposed to be included in debenture trust deed (including any side letter, accelerated payment clause etc.) are disclosed in OD/PM.

2.2.5. A Debenture Trustee shall maintain records and documents pertaining to due diligence exercised for a period of five years from redemption of the debt securities unless required by law, or on account of any enquiries or proceedings to retain such records.

**2.3. Due Diligence Certificate in case of Shelf Prospectus/ Placement Memorandum:**

2.3.1. In case security details have not been finalized at the time of filing of a draft shelf prospectus/ placement memorandum by an issuer, then the Debenture Trustee shall undertake due diligence as under:

- (a) The Debenture Trustee may furnish a due diligence certificate, confirming that it has carried out due diligence for the clauses other than that related to security creation [clauses are specified in the formats prescribed under regulations 40(a) and 44(3) of the SEBI NCS Regulations and **Annex-IIA** of this Master Circular].
- (b) At the time of the issuance of the tranche prospectus/ placement memorandum when the issue structure including terms related to security has been determined and finalized, the Debenture Trustee shall issue a due diligence certificate covering all clauses of formats

prescribed under regulations 40(a) and 44(3) of the SEBI NCS Regulations and **Annex-IIA** of this Master Circular.

#### **2.4. Encumbrance on securities for issuance of listed debt securities:**

2.4.1. Creation of encumbrance on the securities for securing the listed debt securities shall be through the depository system only in accordance with the Depositories Act, 1996, the SEBI (Depositories and Participants) Regulations, 2018, Depository bye laws and other applicable regulations and circulars.

2.4.2. Encumbrance for the above shall mean the following:

- (a) Pledge, hypothecation, mortgage, lien, negative lien, non-disposal undertaking or non-disposal agreement;
- (b) Any restriction on the free and marketable title to the asset, by whatever name called, whether executed directly or indirectly;
- (c) Any covenant, transaction, condition or arrangement in the nature of encumbrance, by whatever name called, whether executed directly or indirectly.

#### **2.5. Disclosures in the OD/PM and filing of OD/ PM by the Issuer**

2.5.1. The Issuer, in addition to disclosures made under Schedule I of SEBI NCS Regulations and circulars issued thereunder, shall also disclose the following in the OD/PM:

- (a) *“Debt securities shall be considered as secured only if the charged asset is registered with Sub-registrar and Registrar of Companies or CERSAI or Depository etc., as applicable, or is independently verifiable by the Debenture Trustee.”; and*
- (b) Terms and conditions of debenture trustee agreement including fees charged by Debenture Trustee, details of security to be created and process of due diligence carried out by the Debenture Trustee; and (c)

Due diligence certificate as per the format specified in **Annex-IIA** of this Master Circular.

2.5.2. An Issuer proposing to make an issue of debt securities by way of a public issue or offer debt securities by way of a private placement, shall submit to the Stock Exchange, a due diligence certificate from the Debenture Trustee as per the format specified in **Annex-IIA** and update the same into the Security and Covenant Monitoring System operated by a recognised Depository, which the Debenture Trustee shall validate/ confirm on such system as detailed in Chapter III of this circular.

## **2.6. Creation and registration of charge of security by the Issuer**

2.6.1. Before making the application for listing of debt securities, the Issuer shall create charge as specified in the OD/ PM, in favour of the Debenture Trustee and also execute a debenture trust deed<sup>12</sup> with the Debenture Trustee.

2.6.2. The Stock Exchange shall list the debt securities only upon receipt of a due diligence certificate as per format specified in **Annex-IIB** of this Master Circular from the Debenture Trustee confirming creation of charge and execution of the debenture trust deed.

2.6.3. The charge created by Issuer shall be registered with Sub-registrar, Registrar of Companies, CERSAI, Depository etc., as applicable, within 30 days of creation of such charge. In case the charge is not registered anywhere or is not independently verifiable, then the same shall be considered a breach of covenants/ terms of the issue by the Issuer.

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<sup>12</sup> Form SH 12 of Companies (Share Capital and Debentures) Rules, 2014

**2.7. Manner of change in security/ creation of additional security/ conversion of unsecured to secured in case of already listed debt securities:**

2.7.1. Regulation 59 of SEBI LODR Regulations provides for a change in terms of listed debt securities. A change in the structure of debt listed debt securities, *inter-alia*, may include:

- a) A change in security,
- b) Creation of additional security in case of already secured listed debt securities or
- c) Creation of security in case of unsecured listed debt securities.

2.7.2. In order to harmonize the process of creation of security pursuant to listing, the following directions are issued:

- a) Before initiating due diligence, the Debenture Trustee and the Issuer shall ensure compliance with the paras 2.1 and 2.2 of this Chapter.
- b) Pursuant to carrying out of due diligence as per paras 2.1 and 2.2 of this Chapter, the Debenture Trustee shall issue a no-objection certificate (NOC) to the issuer for going ahead with proposed change in the structure/ creation of security.
- c) Thereafter, the issuer shall create the proposed security and the charge in favour of Debenture Trustee and the same shall be registered with the sub-registrar, Registrar of Companies, CERSAI, Depository etc., as applicable, within 30 days of creation of such charge. In case the charge is not registered anywhere or is not independently verifiable, then the same shall be considered as a breach of the covenants/ terms of the issue by the Issuer.
- d) Pursuant to the creation and registration of charge, the issuer and Debenture Trustee shall enter into a supplemental/ amended debenture

trust deed including all the terms and conditions arising out of the due diligence carried out by the Debenture Trustee as well as of the security created by Issuer.

- e) The issuer, pursuant to execution of supplemental/ amended debenture trust deed, shall submit the following to the Depositories and Stock Exchanges:
  - i. NOC by Debenture Trustee for change in security or creation of security.
  - ii. Executed supplemental/ amended debenture trust deed;
  - iii. An undertaking from the Debenture Trustee that the security has been created and registered.
  - iv. Other documents/ consents required to be submitted to Stock Exchanges and Depositories in terms of Regulation 59 of SEBI LODR Regulations, circulars issued thereunder and bye-laws of Stock Exchanges and Depository, as applicable.
- f) The Depository shall assign a new ISIN to the listed debt securities pursuant to submission of documents mentioned above only and shall share the information with respect to change in ISIN of listed debt securities, with the recognized Stock Exchanges.
- g) It may be noted that none of the cases mentioned in para 2.7.1 would constitute a change in the structure of the listed debt securities, provided there are no other changes to the terms/ nature of issue of the listed debt securities such as maturity date, coupon rate, face value, redemption schedule, nature of the debt securities (secured/ unsecured), etc. Accordingly, the Depository shall not assign a new ISIN in such cases. However, where there is a change in the underlying security, the Debenture Trustee shall ensure compliance with the provisions of Regulation 15(1)(i) of DT Regulations.

## **2.8. Engagement of Independent professionals by Debenture Trustee:**

2.8.1. For the purpose of availing the services of an independent professional for carrying out due diligence and continuous monitoring under the provisions of this Master Circular, the Debenture Trustee shall:

- a) Put in place a criterion/ policy for engagement of an independent professional/ availing the services of an independent professional as approved by its board of Directors and shall disclose the same on its website
- b) Formulate a policy on mitigating conflict of interest and shall disclose the same on its website; the policy shall, inter-alia, include a requirement that the independent professional should not have had pecuniary relationship with the issuer three years prior to the date of opening of the issue.
- c) The Debenture Trustee shall directly compensate/ remunerate the professional who is engaged.

2.8.2. While a Debenture Trustee may avail the services of independent professionals, the responsibility shall rest with the Debenture Trustee.



**FORMAT OF DUE DILIGENCE CERTIFICATE TO BE GIVEN BY THE DEBENTURE TRUSTEE AT THE TIME OF FILING THE DRAFT OFFER DOCUMENT/ PLACEMENT MEMORANDUM**

To,  
Stock Exchange

Dear Sir / Madam,

**SUB.: ISSUE OF \_\_\_\_\_ BY \_\_\_\_\_ LTD.**

We, the debenture trustee(s) to the above mentioned forthcoming issue state as follows:

- 1) We have examined documents pertaining to the said issue and other such relevant documents, reports and certifications.
- 2) On the basis of such examination and of the discussions with the Issuer, its directors and other officers, other agencies and on independent verification of the various relevant documents, reports and certifications, WE CONFIRM that:
  - a) The Issuer has made adequate provisions for and/or has taken steps to provide for adequate security for the debt securities to be issued and listed.
  - b) The Issuer has obtained the permissions / consents necessary for creating security on the said property(ies).
  - c) The Issuer has made all the relevant disclosures about the security and also its continued obligations towards the holders of debt securities.
  - d) Issuer has adequately disclosed all consents/ permissions required for creation of further charge on assets in offer document/ placement memorandum and all disclosures made in the offer document/ placement memorandum with respect to creation of security are in confirmation with the clauses of debenture trustee agreement.

- e) Issuer has disclosed all covenants proposed to be included in debenture trust deed (including any side letter, accelerated payment clause etc.), offer document/ placement memorandum.
- f) Issuer has given an undertaking that charge shall be created in favour of debenture trustee as per terms of issue before filing of listing application.

We have satisfied ourselves about the ability of the Issuer to service the debt securities.

**PLACE:**

**DATE:**

**DEBENTURE TRUSTEE TO THE ISSUE WITH HIS STAMP**

**FORMAT OF DUE DILIGENCE CERTIFICATE TO BE GIVEN BY THE DEBENTURE TRUSTEE AT THE TIME OF FILING OF LISTING APPLICATION BY ISSUER**

To,  
Stock Exchange

Dear Sir / Madam,

**SUB.: ISSUE OF \_\_\_\_\_ BY \_\_\_\_\_ LTD.**

We, the debenture trustee(s) to the above mentioned forthcoming issue state as follows:

- 1) We have examined documents pertaining to the creation of charge over assets of Issuer.
- 2) On the basis of such examination and of the discussions with the Issuer, its directors and other officers, other agencies and of independent verification of the various relevant documents, WE CONFIRM that:
  - (a) The Issuer has created charge over its assets in favour of debenture trustee as per terms of offer document/ placement memorandum and debenture trustee agreement.
  - (b) Issuer has executed the debenture trust deed as per terms of offer document/ placement memorandum and debenture trustee agreement.
  - (c) The Issuer has given an undertaking that charge shall be registered with Sub-registrar, Registrar of Companies, Central Registry of Securitization Asset Reconstruction and Security Interest (CERSAI), Depository etc., as applicable, within 30 days of creation of charge.

We have satisfied ourselves about the ability of the Issuer to service the debt securities.

**PLACE:**

**DATE:**

**DEBENTURE TRUSTEE TO THE ISSUE WITH HIS STAMP**

### Chapter III: Security and Covenant Monitoring System<sup>13</sup>

1. In order to strengthen the process of security creation, monitoring of security created, monitoring of security cover and covenants of the debt securities, a platform for 'Security and Covenant Monitoring System' ('system') hosted by Depositories has been introduced.
2. The system shall be used for recording and monitoring of the security created and monitoring of covenants of debt securities. The system shall, *inter alia*, capture:
  - 2.1. the process of creation of security (viz. due diligence, charge creation etc.);
  - 2.2. continuous monitoring of covenants by Debenture Trustees (as applicable);
  - 2.3. credit rating of the debt securities by the Credit Rating Agencies (CRAs).
3. Depositories shall create, host, maintain and disseminate the system for security and covenant monitoring using distributed ledger technology (or similar such technologies). Further, the depositories shall:
  - 3.1. Provide secure login credentials to Issuers, CRAs, Debenture Trustees etc. for recording and/or verifying and/or viewing requisite information on the system.
  - 3.2. Put in place adequate safeguards to ensure the integrity and security of the data on the system.
  - 3.3. Share information with the other Depository for integrating and maintaining a compatible system.

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<sup>13</sup> SEBI/HO/MIRSD/CRADT/CIR/P/2022/38 dated March, 29 2022 and  
SEBI/HO/MIRSD/MIRSD/CRADT/CIR/P/2021/618 dated August 13, 2021

- 3.4. Develop an alert mechanism to be sent to the stakeholders on submission, acceptance and rejection of information, and alerts for periodic and event based compliances.
  - 3.5. Wherever necessary, provide the feature of document upload by the various stakeholders on the system.
  - 3.6. Provide functionality of maintaining a trail/ log of all the communication/ interaction amongst various stakeholders viz. CRAs, Debenture Trustees, Issuers, Depositories etc. and also in the system on account of recording and/or verification and/or viewing of information by the stakeholders.
  - 3.7. Provide functionality in the system to make changes in already recorded information by stakeholders (in case a change is required to be made for rectifying any discrepancy or recording additional information) and verification of same by responsible stakeholder (as applicable) and due logs/trail and prior versions of such changes.
  - 3.8. Be responsible for the effective and smooth functioning of the system and shall develop a mechanism to establish accountability/ responsibility for the rectification of various issues and glitches that may hamper the effective functioning of the system.
  - 3.9. Have in place operational guidelines for the system after consultation with various stakeholders.
4. In line with current market practices, related to issuance of debt securities, the system, as per the nature of the debt securities, shall enable various stakeholders to record information for the following aspects:
    - 4.1. Security creation, security cover and covenants;
    - 4.2. Periodical monitoring of security cover and covenants;
    - 4.3. Interest and redemption payment (part and full) of debt securities;

#### 4.4. Credit Rating information

5. Accordingly, the role and responsibilities of various stakeholders in the system have been defined below.

#### **A. Recording of information related to security creation, security cover and covenants**

##### 5.1. Information regarding assets offered as security (Security creation/ Security Cover):

- a) Issuer shall record relevant details regarding proposed 'Security creation/ Security Cover' (if applicable) including asset details, other related documents in the system based on the type of asset offered for security creation as per **Annex-III A** of this Master Circular. Issuers shall fill all the requisite fields in the system at the time of creation of temporary ISIN/ ISIN.
- b) The assets offered as security by an Issuer shall be recorded in the system pursuant to validation/ verification by the Debenture Trustee in terms of provisions of Chapter II.
- c) In case the value and details of assets recorded are not in line with the terms of proposed issue of debt securities, the Debenture Trustee shall not validate the same and shall reject the same on the system and make due remarks explaining the same. The system shall send an intimation to the Issuer to rectify any discrepancy or record additional details regarding assets offered as security before initiating issuance of temporary ISIN/ ISIN which shall also require being validated and verified by the Debenture Trustee.
- d) The Debenture Trustee shall also upload the reports/ documents viz. valuation report, ROC search report, title search report/ appraisal report,

security cover certificate, due diligence certificate as per **Annex-IIA** of this Master Circular and other related reports/ certificates as applicable etc. on the system.

5.2. Recording of charge creation and charge registration details on the system:

- a) Pursuant to creation of charge in favour of Debenture Trustee (as per provisions of Chapter II), the Issuer shall upload the details of the charge created on the system as per **Annex-IIIB** of this Master Circular. The Issuer shall also upload all the relevant documents supporting the charge such as Pledge Master Report etc.
- b) The Debenture Trustee shall then validate the details of the charge entered in the system from Sub Registrar, ROC, CERSAI, Information Utility of IBBI or any other independently verifiable source and shall confirm the same on the system and update any subsequent changes, in case of any discrepancy.
- c) Pursuant to the issuance of due diligence certificate by the Debenture Trustee to the Stock exchange as per **Annex-IIIB** of this Master Circular, the same shall be uploaded on the system by the Issuer.

5.3. Modification in the information recorded on the system:

Any change in already recorded information on the system related to charge creation, registration details etc. due to any discrepancy or any modification in the value or details of the security provided on account of provision of additional security by the Issuer or reduction or substitution of existing security provided by the Issuer, shall be made after verification and validation by Debenture Trustee and information regarding requisite documents and permission/ consent obtained shall also be recorded on the system.



#### 5.4. Recording of covenants in the system:

- a) The Issuer shall enter the covenants of the issuance in the system and upload the debenture trust deed within five working days of signing of debenture trust deed, including but not limited to the following:
- i. Covenants as to title of Security
  - ii. Covenants as to Security Cover as per terms of Issue
  - iii. Covenant as to further borrowing/ issues
  - iv. Covenant as to creation of further encumbrances on the security
  - v. Financial covenants including any restrictions on payment of dividends, maintaining Debt/ equity ratio, Gross Debt to EBITDA, Debt to Value Ratio etc.
  - vi. Covenants as to any change in nature and conduct of business or disposal of assets
  - vii. Covenants with respect to changes in the composition of its Board of Directors
  - viii. Covenants with respect to related party transactions by the issuer
  - ix. Monitoring of Debenture Redemption Reserve, Debenture Redemption Fund, Recovery Expense Fund
  - x. Other non-financial covenants such as credit rating, negative lien undertaking, etc.
- b) Debenture Trustee shall validate the covenants so entered by the Issuer within seven working days of signing the Debenture Trust Deed.

#### **B. Periodic monitoring of Security Cover and Covenants**

5.5. The Issuer shall provide the half yearly certificate by the statutory auditor certifying the security cover and upload the same on the system in the format as per **Annex-VA** of this Master Circular. The periodicity of filing this certificate on the system shall be co-terminus with that of the financial results as per regulation 52 of the SEBI LODR Regulations.

5.6. The Issuer shall, on a periodic basis, upload the necessary and applicable documents, information within stipulated time so as to enable the Debenture Trustee to exercise its functions in relation to monitoring of Security cover and covenants.

5.7. In order to carry out periodical monitoring on security created/ covenants, the Debenture Trustee shall:

- a) Validate and upload the security cover certificate
- b) Update the value of the assets in the system based on the periodic valuation carried out by the Debenture Trustee, by itself or through professionals in terms of provisions of Chapter II of this Master Circular
- c) Upload the title search reports, valuation reports etc., in terms of provisions of Chapter II of this Master Circular
- d) The Debenture Trustee shall release charges in case any debt is repaid and update/ validate the same in the platform.

### **C. Interest and redemption payment**

5.8. Interest and principal payment:

- a) The Issuer shall record information pertaining to payment of interest and repayment of principal on the system at the time of creation of ISIN/ temporary ISIN. The issuer shall also record the status of such payment/ repayment within one working day of payment/ redemption due date after taking requisite details from Registrar and Transfer Agent. The format for the same is as specified in **Annex-IIIC** of this Master Circular.
- b) Once such information is recorded on the system, the Debenture Trustee shall validate the status of such payment/ repayment in the system after receiving the requisite details from the Registrar and Transfer Agent including file prepared for payment of interest and repayment of principal,

Bank confirmation etc. Such status shall be validated within two working days on the basis of the documentary evidence submitted by the Issuer and the Registrar and Transfer Agent.

**5.9. Non-receipt of information on the system:**

- a) In case of non-receipt of information in the system viz. the Issuer fails to intimate the status of payment of interest or repayment of principal, the Debenture Trustee shall seek status of such payment/ repayment from the Issuer and/ or conduct independent assessment (from banks, investors, etc.) to determine the same.
- b) Based on such assessment, the Debenture Trustee shall update in the system the status of such payment/ repayment, within seven working days of the interest payment becoming due or nine working days of the maturity/ redemption date.
- c) The Debenture Trustee shall update the details in the system and initiate necessary action as per provisions of Chapter IX to this Master Circular.

**5.10. Redemption of debt securities:**

- a) Issuer shall initiate the release of charges and update the system with the relevant documents including but not limited to Statutory Certificate, No dues from the holders of debt securities (applicable only in case of private placement), ISINs Extinguishment letter, ROC Charge Satisfaction forms/ certificate.
- b) The Debenture Trustee shall release charges in case any debt is repaid and update/ validate the same in the platform.

#### **D. Credit Rating information**

- 5.11. The Issuer shall upload all the credit rating information for debt securities including rating action, date of press release and hyperlink for press release of credit rating. CRAs shall access the system to validate the rating information uploaded by the Issuer. In case of discrepancy, Issuer and/ or CRAs shall notify the same on system and update the correct information in the system within two working days of such notification.
- 5.12. Any subsequent rating actions carried out by CRAs shall be recorded in the system by the Issuer within one working day of the press release, which shall *inter-alia* comprise rating action including rating outlook, date of press release and hyperlink for press release of credit rating. In case of discrepancy, Issuer and/ or CRAs shall notify the same on system and CRAs shall update the correct information in the system within two working days of such notification.

#### **6. Unique asset identifier:**

- 6.1. As the backbone of the system is the uniqueness of the record of assets, a system generated unique identifier (Asset ID) shall be allotted for each asset offered by the Issuer as security for the debt securities. For data exchange and verification across Depositories, format for unique Asset ID shall be a 12 digit alphanumeric string, which will be generated as provided in **Annex-IIID** of this Master Circular.
- 6.2. To ensure that there is only one unique asset ID assigned to an asset of the issuer for effective asset creation as well as tracking, the system will provide an alert to the Issuer and the Debenture Trustee by having appropriate validation/ duplicate checks in the system for identifying possible duplicate entries for assets of an issuer and this validation/ duplication check shall be

based on the parameters as per **Annex-III E** of this Master Circular. Issuers shall ensure that the entry of the asset is made only once in the system for generation of the unique Asset ID, which shall be verified by the Debenture Trustee.

7. The following assets shall be tracked at portfolio level and no specific parameters for the underlying assets would be captured:
  - 7.1.movable assets viz furniture, equipment, inventory etc.
  - 7.2.current assets viz portfolio of advances/ receivables, etc.
  - 7.3.any other asset of similar nature.
8. On detection of a duplicate asset, an alert shall be generated and sent to the Issuer and Debenture Trustee to cross check and verify the details entered into the system for recording the details of asset. The Issuer and the Debenture Trustee should verify and address the alert before overriding the same.
9. **Monitoring/ Trigger events:**
  - 9.1.While the Depository shall ensure that there is only one unique asset ID assigned to an asset of the issuer, Debenture Trustee, on a yearly basis, shall reconcile the list of assets recorded in the system for an Issuer and in case any duplicate entry is found for an asset, shall take necessary steps to eliminate such duplicate entries in the system and verify security cover thereof and take remedial action, if required.
  - 9.2.Any event which reduces the security cover below the mandated/ stipulated limit, as per regulation 54 of SEBI LODR Regulations, shall be updated by the issuer in the system immediately. Such event shall be termed as 'trigger event' and Depository shall send such trigger events' alerts to all the concerned stakeholders.

10. All issuers of debt securities shall ensure that the details are recorded in the system before activation of ISIN<sup>14</sup>. Depositories shall allot or defreeze an existing ISIN (in case of re-issuance), as applicable, only after confirming recording of information in the system.
11. For existing outstanding debt securities, issuers were required to enter the details in the system on or before January 31, 2023 and Debenture Trustees were required to verify the same by February 28, 2023.
12. Issuers, Debenture Trustees, CRAs, etc. shall have such mechanism to execute such functions as required for the system.

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<sup>14</sup> Applicable for all issues made on or after April 01, 2022

**Registration of assets for initial due diligence****1. Type and nature of security offered**

- a. Immovable Property
- b. Movable Fixed Assets
- c. Current Assets viz., receivables, book debts
- d. Intangible viz., IPRs, etc.,
- e. Securities/ Other Financial Asset
- f. Assignment of rights
- g. Guarantee viz personal corporate, corporate guarantee, government guarantee etc.

**2. Details related to security offered – The required data to be filled along with supporting documents, wherever applicable:**

- a. Asset description
  - i. Asset name
  - ii. Asset Details (in case of shares, it shall also include ISIN, Quantity, Pledgee Demat ID, Pledgee Instrument ID)
  - iii. Asset Location (including address of the asset)
  - iv. Asset ownership details
- b. Value of security offered: Issuer shall submit documents as required under Chapter II of this Master Circular and other documents given by Issuer for ascertaining the existence, veracity and value of assets.
- c. Documents related to existing encumbrance on assets/ security offered: Issuer shall record following details in the system and/or submit documents:
  - i. For unencumbered assets, an undertaking that the assets on which charge is proposed to be created are free from any encumbrances.

- ii. For encumbered assets, on which charge is proposed to be created, the Issuer shall submit documents in system as per para 2.1. (c) of Chapter II of this Master Circular and any other document required to be given by the Issuer to the Debenture Trustee.



**Manner of updation of charge creation details on System:**

1. Issuer shall enter the following details related to charge created on system as and when applicable:
  - 1.1. Asset details
  - 1.2. Type of Charge Creation
  - 1.3. Charge holder
  - 1.4. Amount
  - 1.5. Date on which charge is created
  - 1.6. Modification date
  - 1.7. Charge Closure date i.e. redemption date.
2. System shall ensure every charge details recorded in the system shall have a unique number. Therefore, an asset with a unique asset ID shall be mapped against multiple charge IDs.
3. After registering the charge creation details on ROC, CERSAI and IU or any other independent agency, Issuer, shall update the same on depository platform wherein Issuer will enter the following details:
  - 3.1. Date of application/ filing with statutory/ government authority
  - 3.2. Details of any receipt or challan obtained by Issuer after filing.
  - 3.3. List of documents submitted to Agency
  - 3.4. Certificate/ document obtained from statutory/ government authority after successful registration of charge.
4. An individual charge created maybe required to be registered with more than one agency, hence depository may enable Issuer to upload the above mentioned information for more than one agency.

## Annex-III C

### Interest and principal payment details

1. Issuers shall fill all the requisite fields in at the time of creation of ISIN/ temporary ISIN as specified by filling in the following details:

Item	Details
Interest Payment	<ul style="list-style-type: none"> <li>Name of Instrument</li> </ul>
	<ul style="list-style-type: none"> <li>Date of Information Memorandum</li> </ul>
	<ul style="list-style-type: none"> <li>Issue Size</li> </ul>
	<ul style="list-style-type: none"> <li>No. of Instrument</li> </ul>
	<ul style="list-style-type: none"> <li>Face Value (Rs.)</li> </ul>
	<ul style="list-style-type: none"> <li>Rate of Interest</li> </ul>
	<ul style="list-style-type: none"> <li>Interest Amount to be paid on due date</li> </ul>
	<ul style="list-style-type: none"> <li>Record Date</li> </ul>
	<ul style="list-style-type: none"> <li>Frequency</li> </ul>
	<ul style="list-style-type: none"> <li>Due date for Interest Payment</li> </ul>
Redemption payment	<ul style="list-style-type: none"> <li>Name of Instrument</li> </ul>
	<ul style="list-style-type: none"> <li>Date of Information Memorandum</li> </ul>
	<ul style="list-style-type: none"> <li>Record Date</li> </ul>
	<ul style="list-style-type: none"> <li>Frequency</li> </ul>
	<ul style="list-style-type: none"> <li>Type of Redemption</li> </ul>
	<ul style="list-style-type: none"> <li>If Partial Redemption, then <ul style="list-style-type: none"> <li>By Face Value Redemption</li> <li>By Quantity Redemption</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>If Redemption is based on Quantity, specify whether on: <ul style="list-style-type: none"> <li>Lot Basis</li> <li>Pro-rata basis</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>Reason for redemption</li> </ul>
	<ul style="list-style-type: none"> <li>Redemption due to PUT option (if any)</li> </ul>
	<ul style="list-style-type: none"> <li>Redemption due to CALL option (if any)</li> </ul>
	<ul style="list-style-type: none"> <li>Quantity and Amount Redeemed</li> </ul>
	<ul style="list-style-type: none"> <li>Due date for Redemption/ Maturity</li> </ul>
	<ul style="list-style-type: none"> <li>Date of early Redemption (if any)</li> </ul>

2. Issuers shall fill all the following requisite fields to update the status of payment within one working day of payment/ redemption date or a change in the due date of interest payment/ redemption payment as under:

Updation by Issue on continuous basis – Payment of Interest	<ul style="list-style-type: none"> <li>Actual Date for Interest Payment</li> <li>Amount of interest paid</li> <li>Date of last Interest Payment</li> </ul>
	<ul style="list-style-type: none"> <li>Reason for non-payment/ delay in payment</li> </ul>
	<ul style="list-style-type: none"> <li>Change in Frequency of payment (if any)</li> </ul>
	<ul style="list-style-type: none"> <li>Date of Change</li> </ul>
	<ul style="list-style-type: none"> <li>Details of such change</li> </ul>
	<ul style="list-style-type: none"> <li>Change in Record Date</li> </ul>
Updation by Issue on continuous basis – Redemption payment	<ul style="list-style-type: none"> <li>Actual Date for Redemption</li> <li>Amount Redeemed</li> <li>Outstanding Amount (Rs.)</li> </ul>
	<ul style="list-style-type: none"> <li>Reason for non-payment/ delay in payment</li> </ul>
	<ul style="list-style-type: none"> <li>Date of previous redemption (part redemption), if applicable</li> </ul>
	<ul style="list-style-type: none"> <li>Change in Record Date</li> </ul>

**Asset ID = System Code + Asset Type + Asset Sub Type + Unique Number + Check Digit**

System Code	2 characters ('IN' – for all asset types and sub-types)
Asset type	2 character Alphanumeric
Asset sub-type	2 character Alphanumeric
Unique Number	5 character alphanumeric sequential (start with 00001 to 99999. Post full utilization of numbering then prefix will start from A-Z.)
Check Digit	1 digit

## Annex-III E

1. **Common parameters across asset types:** The following is an indicative list of parameters which shall be captured for all categories of asset types and subtypes to assign Asset ID:

- a) Asset name
- b) Short description of Asset
- c) Asset type & sub-type
- d) Address details of the assets including PIN Code for assets located in India, wherever available.
- e) Ownership details of the asset
- f) Valuation details of the asset
- g) Unique Identification Number, if any, provided by regulator/agencies and the agency identifier.
- h) Code along with Code Description in ERP (Enterprise Resource Planning) system of the issuer, wherever available.
- i) Code along with Code Description in FAR (Fixed Asset Register) of the issuer, wherever available.
- j) Validity/ Expiry date, if any.
- k) Encumbrance/ lien details, if any.

2. **Specific additional parameters for certain asset types:** In addition to the above, following parameters shall also be captured for these specific asset types and subtypes.

Sr. No.	Asset Type	Asset Sub Type	Parameters to compare for Duplicate check
1.	Immovable Property	All (Residential, Commercial	a. Area of the property b. Geographical Coordinates (Latitude/ , Longitude).



		Industrial, Agriculture, etc.)	
2.	Current Assets	Specific accounts maintained (DSRA, DRR, MRR etc.)	<ul style="list-style-type: none"> <li>a. Details related to account maintained such as Bank Name, account number, IFSC code etc.</li> <li>b. Mode of maintenance of account (Current account/ Fixed Deposit/ Bank Guarantee etc.) and details thereof.</li> </ul>
3.	Securities/ other financial assets	Securities in Demat form	<ul style="list-style-type: none"> <li>a. Demat Account Number</li> <li>b. ISIN Number</li> <li>c. Quantity</li> <li>c. Pledgee and pledger details</li> </ul>
4.	Guarantees	Government	<ul style="list-style-type: none"> <li>a. Issuing Authority</li> <li>b. Government order number</li> <li>c. Government order date</li> <li>d. Guarantee Amount</li> </ul>
		Corporate	<ul style="list-style-type: none"> <li>a. Guarantor details such as Name of the company, address, net worth etc.</li> <li>b. PAN/CIN No. for guarantors in India</li> <li>c. For guarantors outside India <ul style="list-style-type: none"> <li>i. Unique Identification Number provided by Regulator/ Authority of the host country</li> <li>ii. Issuing Regulator/ Authority</li> </ul> </li> <li>d. Guarantee Amount</li> </ul>



		Personal	<p>a. Guarantor details such as Name of the company, address, net worth etc.</p> <p>b. PAN No for guarantors in India</p> <p>c. For guarantors outside India</p> <p>i. Passport Number</p> <p>ii. Passport Issuing Country</p> <p>d. Any other Unique Number provided by regulator of the host country along with name of the regulator.</p> <p>e. Guarantee Amount</p>
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## Chapter IV: Recovery Expenses Fund<sup>15</sup>

In order to enable the Debenture Trustee to take prompt action for enforcement/legal proceedings in case of 'default' in listed debt securities, a 'Recovery Expense Fund' (REF) shall be created which shall be used in the manner as decided in the meeting of the holders of debt securities.

### 1. Manner of creation and operation of REF

1.1. The issuer proposing to list debt securities shall deposit an amount equal to 0.01% of the issue size subject to maximum of Rs. 25 lakhs per issuer towards REF with the 'Designated Stock Exchange', as identified and disclosed in its Offer Document.

1.2. The REF shall be created and maintained in the following form:

- a. The issuer shall deposit cash or cash equivalent(s) including Bank Guarantees towards contribution to this fund at the time of making the application for listing of debt securities.
- b. The Designated Stock Exchange shall invest such cash in the REF in Government Securities or Treasury Bills or Fixed Deposits with a Scheduled commercial bank or gilt or overnight mutual fund schemes and the income/interest earned thereof shall be added to the REF of the issuer.
- c. The issuer shall ensure that the Bank Guarantee remains valid for a period of six months post the maturity date of the listed debt security. The issuer shall keep the bank guarantee in force and renew the Bank Guarantee at least

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<sup>15</sup>SEBI/HO/MIRSD/CRADT/CIR/P/2020/207 dated October 22, 2020 and  
SEBI/HO/MIRSD/MIRSD\_CRADT/CIR/P/2022/67 dated May 19, 2022



seven working days before its expiry, failing which the Designated Stock Exchange shall invoke such Bank Guarantee.

- 1.3. In case of any change in status of issuer of the listed debt securities on account of corporate restructuring by way of Scheme of Arrangement etc., the Designated Stock Exchange shall ensure that the amount maintained in the REF is available as per paragraph 1.1 before issuing the 'No-objection letter' in that regard.

**Manner of utilization of Recovery Expense Fund:**

- 2.1. In the event of default, the Debenture Trustee/ Lead Debenture Trustee shall obtain the consent of holders of debt securities for enforcement/ legal proceedings and shall inform the same to the Designated Stock Exchange. The Designated Stock Exchange shall release the amount lying in the REF to the Debenture Trustee/ Lead Debenture Trustee within five working days of receipt of such intimation.
- 2.2. For the purpose of the provisions of this Chapter, Lead Debenture Trustee shall mean:
1. A Debenture Trustee who is chosen as the Lead Debenture Trustee by other Debenture Trustees; or
  2. A Debenture Trustee who represents holders of more than 50% of the outstanding value of debt securities.
- 2.3. The Debenture Trustee shall keep a proper account of all expenses incurred out of the funds received from REF towards Legal expenses, cost for hosting meetings etc. towards enforcement/ legal proceedings in relation to the Debt securities.

### **3. Refund of REF to the Issuer**

3.1. The balance in the REF shall be refunded to the issuer on repayment to holders of debt securities on their maturity or at the time of the exercise of call or put option, upon a 'No Objection Certificate (NOC)' being issued by the Debenture Trustee to the Designated Stock Exchange.

3.2. The Debenture Trustee shall satisfy that there is no 'default' on any other listed debt securities of the issuer before issuing the NOC.

### **4. Verification of creation of REF**

4.1. In order to ensure independent verification by a Debenture Trustee regarding creation of REF by issuer, Debenture Trustee shall take confirmation from Designated Stock Exchange or any other independent source in writing regarding the creation of REF by the issuer and shall not rely solely upon the communication by the issuer.

4.2. The Stock Exchange shall disclose on their websites, the amount of REFs created by the issuers on a half yearly basis. Such disclosure shall also include the details of the Debenture Trustee for the debt securities.

## Chapter V: Security Cover Certificate<sup>16</sup>

In terms of regulation 54 read with regulation 56(1)(d) of SEBI LODR Regulations, Issuers are required to disclose security cover to Stock Exchange and Debenture Trustee. The obligations of the Issuer and the Debenture Trustee with respect to preparation and submission of security cover certificate are given as under:

### 1. Manner of preparation of security cover certificate by the Issuer:

- 1.1 The Issuer shall be required to prepare the security cover certificate on quarterly basis and the statutory auditor of the Issuer shall certify the book values of the assets provided in such certificate.
- 1.2 The Issuer shall provide the values in the format under the market values column including the reference date based on which the market value has been arrived at and the certificate shall be submitted to the Debenture Trustee. In case of loans/ receivables or any other asset offered as security and the market value is not ascertainable in the specific quarter, then the Issuer may provide the carrying value/ book value as per the format for security cover is enclosed at **Annex-VA** of this Master Circular. However, the Issuer shall provide the justification for not providing the market value along with the certificate in that quarter.
- 1.3 The frequency of valuation for asset classes offered as security by the Issuer shall be as under:
  - a) In case of asset classes wherein frequency of valuation has been prescribed by SEBI, the market value shall be provided, accordingly, in the security cover certificate.

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<sup>16</sup> SEBI/HO/MIRSD/MIRSD\_CRADT/CIR/P/2022/67 dated May 19, 2022

- b) For the asset classes wherein there is no regulatory guideline on frequency of the valuation of a specific asset class then it shall be on quarterly basis.

1.4 In case, the issuer has more than one Debenture Trustee for its listed debt securities, then the Issuer shall prepare such certificate separately for each Debenture Trustee.

1.5 The assets that are not paid for shall not be included as part of any security cover calculation.

1.6 In case security cover offered for the debt securities comprises the assets of the Issuer only, the security cover shall be prepared on standalone basis.

1.7 In case debt securities are secured by creation of charge on the assets of a third party/ subsidiary/ group/ holding company; or assets of the Issuer are offered for securing the debt securities issued by a third party/ subsidiary/ group/ holding company; or assets of the Issuer are offered for securing the other liabilities of third party/ subsidiary/ group/ holding company, the Issuer shall make disclosure in two separate tables on security cover as follows:

- a) Table for security cover on standalone basis for the Issuer and;
- b) Table on net summary basis on consolidated level in order to provide the overall/ holistic picture of the borrowings and security cover provided by the Issuer.

1.8 Obligations of the Issuer in case of third party/ subsidiary/ group/ holding company assets being offered as underlying security:

- a) The book value for security cover shall be certified by the statutory auditor of the third party/ subsidiary/ group/ holding company with respect to third party/ subsidiary/ group/ holding company assets being offered as underlying security.

- b) In case, security cover comprises exclusive charge on third party/ subsidiary/ group/ holding company assets, the security cover certified by the statutory auditor of the concerned third party/ subsidiary/ group/ holding company shall include details of such assets including the book value of such assets.
- c) In case, security cover comprises pari-passu charge/ second/ third charge on third party/ subsidiary/ group/ holding company assets, the security cover certified by the statutory auditor of the concerned third party entity shall include the detail of all encumbrances on such assets.

1.9 Further, in order to adequately capture details regarding other debt securities, viz. unsecured debentures, subordinated debt, other debt issuances which fall in the lower priority order in the waterfall mechanism for liquidation/ resolution proceeds, an additional column named “Debt not backed by any assets offered as security” shall be incorporated in the security cover certificate and the same shall be covered under such column.

## **2. Manner of preparation and submission of security cover certificate by Debenture Trustee(s)**

2.1 Debenture Trustee on a quarterly basis shall certify the market value of assets based on the due diligence carried out by it or through independent professionals and shall submit the security cover certificate as per **Annex-VA** of this Master Circular.

Debenture Trustee shall certify the security cover in respect of the secured debt securities, to the extent that the security is held by it.

2.2 In case the Issuer has more than one Debenture Trustee for its listed debt securities, then Debenture Trustees may choose a common independent professional for preparation of security cover certificate.

2.3 In case of reduction in the computed value of security cover in comparison to the previous quarter or previously calculated security cover, the Debenture Trustee shall record the reason for such variation in the security cover certificate. Clarification, if any, in this regard, may be obtained by Debenture Trustee from the Issuer.

### 3. Calculation of Security Cover Ratios

In order to standardize calculation of security cover ratio as prescribed in **Annex-VA** of this Master Circular, the following formulas shall be used:

3.1 Exclusive security cover shall be calculated in the following manner:

$$\text{Exclusive Security Cover} = \frac{\text{Value of assets having Exclusive charge}}{\text{outstanding value of corresponding debt} + \text{Interest accrued}}$$

3.2 Pari-passu security cover shall be calculated in the following manner:

$$\text{Pari-passu Security Cover} = \frac{\text{Value of assets having pari-passu charge}}{\text{outstanding value of corresponding debt} + \text{Interest accrued}}$$

### 4. Affixing Unique Document Identification Number (UDIN) to the security cover certificates:

The security cover certificates as required under the provisions of this Master Circular shall contain, as applicable, the UDIN generated in the manner prescribed by the relevant regulatory authority.

**5. Qualifications/ disclaimers in security cover certificates:**

The Debenture Trustee shall ensure that the qualifications/ disclaimer (by whatever name called), does not impair the rights of holders of debt securities in terms of security provided. Further, if the Debenture Trustee is of the opinion that such qualifications/ disclaimer are affecting the rights of holders of debt securities, the Debenture Trustee shall take corrective action in this regard.

**Format of Security Cover Certificate**

Column A	Column B	Column n C <sup>i</sup>	Column n D <sup>ii</sup>	Column n E <sup>iii</sup>	Column F <sup>iv</sup>	Column G <sup>v</sup>	Column n H <sup>vi</sup>	Column I <sup>vii</sup>	Column n J	Column K	Column L	Column M	Column N	Column O
Particulars		Exclusive Charge	Exclusive Charge	Pari- Passu Charge	PariPassu Charge	Pari- Passu Charge	Assets not offered as Security	Elimination (amount in negative )	(Total C to H)	Related to only those items covered by this certificate				
	Description of asset for which this certificate relate	Debt for which this certificate being issued	Other Secured Debt	Debt for which this certificate being issued	Assets shared by Paripassu debt holder (includes debt for which this certificate is issued & other debt with paripassu charge)	Other assets on which there is pari- Passu charge (excluding items covered in column F)		debt amount considered more than once (due to exclusive plus, paripassu charge)		Market Value for Assets charged on Exclusive basis	Carrying /book value for exclusive charge assets where market value is not ascertainable or applicable (For Eg. Bank Balance, DSRA, market value is not applicable)	Market Value for Pari- passu charge Assets viii	Carrying value/book value for paripassu charge assets where market value is not ascertainable or applicable (For Eg. Bank Balance, DSRA, market value is not applicable)	Total Value(=K+L+M+N)





												Relating to Column F		
		Book Value	Book Value	Yes/ No	Book Value	Book Value								
ASSETS														
Property, Plant and Equipment														
Capital														
Work-in Progress														
Right of Use Assets														
Goodwill														
Intangible Assets														
Intangible Assets under Development														
Investments														
Loans														
Inventories														



Trade Receivables														
Cash and Cash Equivalents														
Bank Balances other than Cash and Cash Equivalents														
Others														
Total														
LIABILITIE S														
Debt securities to which this certificate pertains														
Other debt sharing paripassu charge with above														
debt														
Other Debt														



Subordinated debt		not to be filled												
Borrowings														
Bank														
Debt Securities														
Others														
Trade payables														
Lease Liabilities														
Provisions														
Others														
Total														
Cover on Book Value														
Cover on Market Value <sup>ix</sup>														
		Exclusive Security Cover			Pari-Passu Security									



		Ratio			Cover Ratio									

- i. This column shall include book value of assets having exclusive charge and outstanding book value of debt for which this certificate is issued.
- ii. This column shall include book value of assets having exclusive charge and outstanding book value of all corresponding debt other than column C.
- iii. This column shall include debt for which this certificate is issued having any pari-passu charge - Mention Yes, else No.
- iv. This column shall include a) book value of assets having pari-passu charge b) outstanding book value of debt for which this certificate is issued and c) other debt sharing pari-passu charge along with debt for which certificate is issued.
- v. This column shall include book value of all other assets having pari-passu charge and outstanding book value of corresponding debt.
- vi. This column shall include all those assets which are not charged and shall include all unsecured borrowings including subordinated debt and shall include only those assets which are paid-for.
- vii. In order to match the liability amount with financials, it is necessary to eliminate the debt which has been counted more than once (included under exclusive charge column as also under pari-passu). On the assets side, there shall not be elimination as there is no overlap.
- viii. Assets which are considered at Market Value like Land, Building, Residential/ Commercial Real Estate to be stated at Market Value. Other assets having charge to be stated at book value/Carrying Value.
- ix. The market value shall be calculated as per the total value of assets mentioned in Column O.

## Chapter VI: Periodical/ Continuous Monitoring by Debenture Trustee<sup>17</sup>

A Debenture Trustee shall undertake independent periodical assessment of compliance with covenants or terms of the issue of listed debt securities.

### 1. Monitoring of security created/ assets on which charge is created

1.1. Chapter II of this Master Circular has prescribed the manner in which Debenture Trustees shall carry out due diligence for creation of security at the time of issuance of debt securities. As required under Regulation 15(1)(s) & 15(1)(t) of the DT Regulations, Debenture Trustee shall carry out due diligence on continuous basis.

1.2. Towards this, the issuer and the Debenture Trustee shall ensure that the terms and conditions relating to periodical monitoring are incorporated in the debenture trust deed<sup>18</sup>. These terms and conditions shall, *inter-alia*, entail that the Issuer shall provide relevant documents/ information within a considerable timeline so as to enable the Debenture Trustee shall submit the following reports/ certification to Stock Exchange within the timelines specified:

Reports/Certificate	Periodicity
Security cover Certificate (in the format as specified in <b>Annex-VA</b> to this Master Circular)	<b>Quarterly basis</b> within 75 days from end of each quarter except last quarter when submission is to be made within 90 days.
A statement of value of pledged securities	
A statement of value for Debt Service Reserve Account or any other form of security offered	

<sup>17</sup> SEBI/HO/MIRSD/CRADT/CIR/P/2020/230 dated November 12, 2020

<sup>18</sup> For existing debt securities as on November 12, 2020 vide circular SEBI/HO/MIRSD/CRADT/CIR/P/2020/230, listed entities and debenture trustee(s) were given 120 days to enter into supplemental/amended debenture trust deed incorporating the changes in the debenture trust deed

Net worth certificate of guarantor in case debt securities are secured by way of personal guarantee)	<b>Half yearly basis</b> within 75 days from end of each half-year.
Financials/value of guarantor prepared on basis of audited financial statement etc. of the guarantor(secured by way of corporate guarantee)	<b>Annual basis</b> within 75 days from end of each financial year.
Valuation report and title search report for the immovable/movable assets, as applicable.	Once in three years within 75 days from the end of the financial year.

1.3. Further, in case of pari-passu charge, wherein multiple Debenture Trustees are holding charge over the same assets, a lead Debenture Trustee may be decided amongst the Debenture Trustees based upon the amount of the charge each Debenture Trustees holds and accordingly the exercise of carrying out the valuation and preparation of the valuation report may be carried out by the lead Debenture Trustees.

## 2. Monitoring of covenants<sup>19</sup>

2.1. On a quarterly basis, the Issuer shall furnish to the Debenture Trustee the compliance status with respect to financial covenants of the listed debt securities which shall be certified by the statutory auditor of the Issuer.

2.2. Regulation 15(f) of the DT Regulations mandates the Debenture Trustee to monitor the breach of covenants. In order to ensure effective monitoring, a Debenture Trustee shall:

- a) Establish board approved internal policies with respect to proactive and effective monitoring of breach of covenants and such policy shall inter-alia include:

<sup>19</sup> SEBI/HO/MIRSD/MIRSD\_CRADT/CIR/P/2022/67 dated May 19, 2022

- i. procedure of monitoring of breach of covenants; and
  - ii. clearly defined role and responsibilities of the employees engaged in the process of monitoring of breach of covenants including delegation of authority with respect to the process of monitoring of breach of covenants.
- b) Formulate the category wise list of covenants applicable to the particular issuance defining the frequency of each covenant to be monitored viz. continuous, quarterly, half-yearly, annual etc. The covenants may be categorized as financial covenants, affirmative covenants, negative covenants etc. A guidance notes for the list of covenants prepared in consultation with Debenture Trustees is enclosed as **Annex-VIA** of this Master Circular.
- c) Initiate action in case of breach of covenants viz. accelerated payment, borrowing restriction, not to declare dividend before payment, declaration of event of default, etc. in accordance with the terms of issue/ Offer Document/ Debenture Trust Deed.
- d) Independently monitor any breach of covenants from continuous monitoring of any public disclosure on Stock Exchange, company filings, news articles in electronic/ print media or any information available in public domain apart from periodical information/ documents submitted by the issuer.
- e) Furnish a status report on its website and to the Stock Exchange for further dissemination on a quarterly basis. Such status report shall contain the covenants breached in the preceding quarter and the actions taken by the Debenture Trustee for the same as per the format prescribed under Chapter VI of this Master Circular.

### 3. Disclosures by Debenture Trustee<sup>20</sup>:

3.1. In order to enhance transparency with respect to the no-objection certificate (NOC)/ no-dues certificate/ consent/ permission (by whatever name called) issued by the Debenture Trustee, it shall make the following disclosures to the Stock Exchange:

- a) No-objection Certificate (NOC)/ no-dues certificate/ consent/ permission (by whatever name called) issued by Debenture Trustee to the Issuer in terms of contractual obligations arising out of offer document/ debenture trust deed or any other transaction document related to debt securities, including the consent/ NOC for further borrowing by issuer within two working days of issuance of such consent/ no-objection certificate; and
- b) Any breach of the minimum security cover within two working days of such breach.

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<sup>20</sup> SEBI/HO/MIRSD/MIRSD\_CRADT/CIR/P/2022/67 dated May 19, 2022



**Guidance note on list of Covenants**

<b>Sr. No.</b>	<b>Category</b>	<b>Sub-type (As applicable)</b>	<b>Covenant (As applicable)</b>
1.	Accounts/ funds/ reserves maintained	<ul style="list-style-type: none"> <li>• Debt Service Reserve amount</li> <li>• Interest Service Reserve</li> <li>• Account</li> <li>• Major maintenance reserve</li> <li>• Escrow account/RERA account</li> <li>• Debenture Redemption</li> <li>• Reserve</li> <li>• Debenture Reserve Fund</li> <li>• Recovery Expense Fund</li> <li>• Account details</li> <li>• Any other Fund/Account</li> </ul>	Covenant as to amount to be maintained, manner of creation and/or funding of account, Date till required to be maintained or date on which to be created, manner of creation including period for renewal, replenishment, invocation (amount, date, period, etc.), manner of maintenance (ratio, percentage etc.), bank account number (if applicable) etc.
2.	Financial	<ul style="list-style-type: none"> <li>• Debt Service Coverage Ratio (DSCR)</li> <li>• Interest cover</li> <li>• Net Debt to EBITDA</li> <li>• Gross Debt to EBITDA</li> <li>• Debt cap</li> <li>• Debt Equity ratio</li> <li>• Debt/Tangible Net Worth</li> <li>• Gross Non-Performing Assets</li> <li>• PAR 90 and write off Net Non-Performing Assets/</li> <li>• Tangible Net Worth</li> <li>• Debt to Value Ratio</li> <li>• CAR (Capital Adequacy Ratio) (Tier I CAR)</li> <li>• Current Ratio</li> </ul>	Covenant as to maintenance as a ratio or percentage of .... (state), Not less than/ Not exceeding x, Time Bucket etc.

		<ul style="list-style-type: none"> <li>Dividend ratio (Dividend/PAT)</li> <li>Liquidity</li> <li>Asset liability mismatch Any other ratio (state the ratio and define the formula) Payment of Interest on due dates</li> <li>Payment of principal on due dates</li> </ul>	
3.	Affirmative	<ul style="list-style-type: none"> <li>Security Cover as per terms of</li> <li>Issue</li> <li>Title of Security/asset</li> </ul>	Covenant as to Ratio or percentage, not less than, third party interest/title, rentals, negative lien, insurance, ROC and CERSAI filing etc.
4.	Affirmative or restrictive	<ul style="list-style-type: none"> <li>Credit rating</li> <li>Credit downgrade</li> </ul>	Covenant as to minimum rating (Rating symbol), Standalone basis, consolidated, CE/SO rating, notch downgrade, etc.
5.	Negative	<ul style="list-style-type: none"> <li>Purpose/end-use</li> <li>Change in nature and conduct of business</li> <li>Change in management Fund raising/ borrowing/ encumbrance</li> </ul>	Change in Key Managerial Personnel (KMP), Auditor, Board of Directors, shareholding, restriction with amount, date till which applicable, any change or restriction with specifics, modification of charge/ creation of further charge, indebtedness/further investment etc.
6.	Default	<ul style="list-style-type: none"> <li>Default of principal or interest or both</li> <li>Security creation default</li> </ul>	Covenant as to extra interest payable, cure period allowed, investment allowed, additional infusion required etc.

## Chapter VII: Disclosures on the website of a Debenture Trustee <sup>21</sup>

### 1. Disclosure by Debenture Trustee on its website

The Debenture Trustee shall make the following disclosures on its website as specified below:

Disclosures	Periodicity	Format
Revision in Credit ratings	<b>Continuous basis</b> within T+1 day from receipt of information	Table 1 of <b>Annex-VIIA</b>
Status of payment of principal by the Issuer interest		Table 2 of <b>Annex-VIIA</b>
Monitoring of security cover certificate and Quarterly compliance report of the Issuer.	<b>Quarterly basis</b> within 75 days of end of each quarter except last quarter when submission is to be made within 90 days	Table 3 of <b>Annex-VIIA</b>
Details of Debenture issues handled by Debenture Trustee and their status	<b>Half-yearly basis</b> within 75 days of the end of each half-year	Table 4 of <b>Annex-VIIA</b>
Status of information regarding breach of covenants/terms of the issue, if any action taken by debenture trustee		Table 5 of <b>Annex-VIIA</b>
Complaints received by debenture trustee(s) including default cases		Table 6 of <b>Annex-VIIA</b>
Status regarding maintenance of accounts maintained	<b>Annual basis</b> within 75 days of the end of the financial year	Table 7 of <b>Annex-VIIA</b>

<sup>21</sup> SEBI/HO/MIRSD/MIRSD\_CRADT/CIR/P/2022/67 dated May 19, 2022 and SEBI/HO/MIRSD/CRADT/CIR/P/2020/230 dated November 12, 2020

under supervision of debenture trustee		
Status of information regarding any default by the Issuer and action taken by debenture trustee		Table 8 of <b>Annex-VIIA</b>
Monitoring of Utilization Certificate		Table 3 of <b>Annex-VIIA</b>

## 2. Disclosure of compensation arrangement with clients by Debenture Trustee on its websites<sup>22</sup>

A Debenture Trustee shall disclose the nature of compensation arrangement with its clients on its website, including the minimum fee to be charged (in absolute terms or as a percentage of the issue size) and factors determining the same.

## 3. Calendar of interest/ redemptions, due and paid, to be displayed on the website of Debenture Trustee for the financial year

3.1. A Debenture Trustee shall display on its website the ISIN wise details of interest/ redemption due to the holders of listed debt securities in respect of all issues during a financial year within five working days of start of financial year.

3.2. A Debenture Trustee shall also update such details for any new issue of debt securities handled during the financial year within five days of closure of the Issue.

3.3. A Debenture Trustee shall also update the status of payment ISIN-wise against such issuers not later than one day from the due date. In case the payment is made with a delay by the issuer, Debenture Trustee shall update the calendar specifying the date of such payment, with a remark '*delayed payment*'.

<sup>22</sup> SEBI/ HO/ MIRSD/ DOS3/CIR/P/2019/68 dated May 27, 2019

**Annex-VIIA**

**1. Revision in Credit ratings**

S. No.	Name of the listed entity	ISIN	Immediate Previous Credit Rating			Revised Credit Rating			
			Credit Rating	Date of Rating	Credit Rating Agency	Credit Rating	Credit Rating Agency	Date of Review	Hyperlink of the press releases by the Credit rating Agency

**2. Status of payment of interest/principal by the listed entity**

S.No.	Name of the listed entity	ISIN	Due Date of Payment of Interest/ Principal	Actual date of Payment of Interest/ Principal	Status of Payment (Default / Delayed / Non-Cooperation, No Information etc.)	Date of information given to Exchange by the debenture trustee	Date of information given to CRA by the debenture trustee	Details of action taken by debenture trustee, if any

### 3. Monitoring of Utilization Certificate and Security Cover

Name of the listed entity (including ISIN)	Issue Type (Public/Private/Placed listed)	Issue size (in ₹ crores)	Whether Secured/Unsecured	Periodical status/performance reports/ Quarterly Compliance reports/ Financial statements submitted by the listed entity (Yes/No)	Utilization Certificate		Security cover Certificate			
					Date of receipt of the certificate	Delay (if any) & reasons (including follow up done by debenture trustee)	Security Cover Certificate provided by (debenture trustee/ statutory auditor/other pls specify)	Security cover ratio maintained	Date of Security cover certificate	Delay (if any in submission) & reasons (including follow up done by debenture trustee)

### 4. Details of Debenture issues handled by debenture trustee and their status

Type	Debenture issues at end of last half year ended March / Sep 20...	Debenture issues accepted during half year ended March / Sep 20...	Debenture issues fully redeemed during half year ended March / Sep 20...	Debenture issues outstanding as on last day of half year ended March / Sep 20...	Cumulating issues handled up to the half

																									year ended March / Sep 20...	
	Secured		Unsecured		Total		Secured		Unsecured		Total		Secured		Unsecured		Total		Secured		Unsecured		Total		No.	Amt.
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.		
Public																										
Rights																										
Privately Placed Listed																										
Total																										

#### 5. Status of information regarding breach of covenants/terms of the issue, if any action taken by debenture trustee

S. No.	Name of the Listed Entity (ISIN)	Covenants / terms of issue (if any ) breached during the quarter	Security to be enforced due to breach of covenant/terms of issue including any revised due date (if any)	Date of actual breach	Date of detecting the breach by the debenture trustee	Date of intimation given to debenture holders, stock exchanges, SEBI, etc. (if applicable)	Delay if any (in no. of days)		Reasons for the delay	Further action taken, if any
							In detecting the breach	In intimation		

**6. Complaints received by Debenture Trustee including default cases**

No. of pending Complaints at the end of last half year	No. of complaints received during the half year	No. of complaints resolved during the half year (within 30 days)	No. of complaints pending at the end of half year (for more than 30 days)	Nature of the Complaint(s)			Steps taken to resolve the pending complaints	Remarks, if any
				Delay in other payment of interest redemption	Delay in payment	Any		

**7. Status regarding maintenance of accounts maintained under supervision of Debenture Trustee**

**a. Debenture Redemption Reserve/Debenture Redemption/ maintenance of funds as per Companies (Share Capital and Debentures) Rules, 2014**

S.No.	Name of the Listed Entity	Issue Type (Public/ Privately placed)	Type of entity (NBFC/ HFC/FI/ Other)	Issue Size (in ₹ crores)	ISIN (that is maturing in the current FY)	Amount outstanding	Status of maintenance of DRR (15%/ 10% of the amount maturing in the year, applicable as per Companies)	Details of action taken, if any



		listed)					(Share Capital and Debentures) Rules, 2014)	

**b. Recovery expense fund**

S.N o.	Name of the Listed Entity (including ISINs)	Type of Issue (Public/ Privately Placed)	Issue Size (in ₹ crores)	Size/ Value of recovery fund maintained	Any addition in the Recovery Expense fund during the quarter	Details of usage of the funds, if any , during the quarter	Additional remarks

**c. Accounts/ funds to be maintained in case of Municipal Debt Securities**

S.No.	Name of the Listed Entity	Type of Issue (Public/ Privately Placed)	Issue Size (in ₹ crores)	Size/ Value of Fund/account maintained	Action taken by debenture trustee, if any (in case of shortfall etc.)

				No lien escrow account	Interest payment account	Sinking fund account	
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**8. Status of information regarding any default by listed entity and action taken by Debenture Trustee**

Name of the listed entity (including ISIN)	Issue Type (Public/ Privately placed listed)	Issue size (in ₹ crores)	Secured / Unsecured	Default of interest/ redemption amount (Yes/ No) along with the amount outstanding	Year of default (1 <sup>st</sup> / 2 <sup>nd</sup> / 3 <sup>rd</sup> / ..)	Date of intimating/ sending notice to the debenture holders	Result of the voting (receipt of consents), if applicable			Date of convening the meeting of debenture holders	Date of enforcement of security (Filing with DRT/NCLT as applicable)	Date and details of any other actions (Appointment of nominee director, joining ICA, etc. )	Date of conclusion of recovery proceedings
							Negative consent for enforcement of security	Positive consent for signing the ICA	Other consents, if any				

## Chapter VIII: Provisions relating Debenture Trust Deed, Sharing and Dissemination of Information by Debenture Trustee

### 1. **Contents of Debenture Trust Deed**<sup>23</sup>

Certain clauses that are included in the trust deed, limit or extinguish the obligations of Debenture Trustee in relation to any rights or interests of holders of debt securities or are in conflict with the provisions of the DT Regulations. Such clauses in the existing or new debenture trust deed shall not be applicable and shall stand null and void.

### 2. **Sharing of information regarding Issuer between Debenture Trustees and CRAs**<sup>24</sup>

2.1. DT Regulations require the Debenture Trustees to share information regarding the Issuers that are their clients, with CRAs. The purpose of the said requirement is to enable CRAs to perform their obligations effectively.

2.2. Towards this, Debenture Trustees and CRAs shall share information including but not limited to, as specified in **Annex-VIIIA** of this Master Circular, in respect of issues/ issuers which would help them in effective discharge of their duties.

2.3. Debenture Trustees and CRAs shall assign designated email addresses for sending and receiving such information and ensure appropriate action, if any, based on the information received.

### 3. **Monitoring of payment of Interest/ repayment of Principal and sharing of such information with CRAs by Debenture Trustees**<sup>25</sup>

3.1. Debenture Trustee shall have adequate systems to ascertain the status of payment of interest/ repayment of principal by the Issuer on due dates in timely

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<sup>23</sup> Circular No. CIR/MIRSD/25/2011 dated December 19, 2011;

<sup>24</sup> Circular CIR/MIRSD/3/2013 dated March 15, 2013;

<sup>25</sup> SEBI/HO/MIRSD/MIRSD3/CIR/P/2017/ 72 dated June 30, 2017

manner and efficiently share such information with the CRAs which shall include the following:

- 3.1.1. The Debenture Trustee shall, at least seven days prior to the due date of payment of interest/ repayment of principal, seek ISIN-wise information from Issuers regarding the status of payment of interest/ repayment of principal on or before the due date. While seeking such information, the Debenture Trustee shall also intimate to CRAs.
- 3.1.2. If the Issuer confirms the status of such payment/ repayment or where no information is received from the Issuer on or before the due date, the Debenture Trustee shall accordingly provide ISIN-wise information to the CRAs latest by one day after such due date which shall state the following:
  - a) Information about payment made on or before the due date or;
  - b) Information about delay/ default in payment or;
  - c) No information forthcoming from the Issuer on the payment status.
- 3.1.3. In cases where the CRAs have been informed as per point no. 3.1.2 above that no information is forthcoming from the Issuer on the payment/ repayment status, the Debenture Trustee shall update the payment/ repayment status to CRAs as and when any such information is available with the Debenture Trustee.
- 3.2. The Debenture Trustee shall also ascertain the status of payment/ repayment by the Issuer on the due dates from various independent sources available at its disposal which, *inter alia*, include the websites of Stock Exchanges, holders of listed debt securities and quarterly reports submitted by Issuer.
- 3.3. The Debenture Trustee in its communication to the Issuer as mentioned in point no. 3.1.1 above shall inform that non-furnishing of information regarding status of payment/ repayment by due date or non-disclosure of information with respect to timely payment by the Issuer on Stock Exchange website may be considered as suppression of material information and may attract provisions of Section 12A of

the Securities and Exchange Board of India Act, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

3.4. If no information regarding payment/ repayment by the Issuer is received by the Debenture Trustee by due date or such information is not disclosed by the Issuer on the Stock Exchange website, then, the Debenture Trustee shall make reference to SEBI accordingly and disclose the non-availability of such information on its website. Failure to make such reference to SEBI and nondisclosure on the website shall be considered as aiding and abetting the Issuer in suppression of material information and may attract provisions of Section 12A of the Securities and Exchange Board of India Act, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

#### **4. Dissemination of Information on Listed Debt Securities<sup>26</sup>**

The Debenture Trustee shall disclose the information to the holders of debt securities and the general public by issuing a press release regarding default by Issuer to pay interest on listed debt securities or redemption amount, failure to create a charge on the assets and revision of rating assigned to the listed debt securities. Further, such information shall also be placed on the website of the Debenture Trustee, the issuer and the stock exchanges. It is clarified that such actions shall be taken by the Debenture Trustee promptly and in any case not later than next day of the occurrence of such events.

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<sup>26</sup> SEBI/HO/MIRSD/MIRSD3/CIR/P/2017/ 72 dated June 30, 2017

**Sharing of information between Debenture Trustees and Credit Rating Agencies****1. Information from Credit Rating Agencies to Debenture Trustees**

- a) Rating assigned/revised for debt securities along with the rationale for the same.
- b) Press release, outstanding ratings etc. in respect of debt securities.
- c) Non-cooperation by the issuers with respect to sharing necessary information for monitoring the credit quality of the rated instrument with Credit Rating Agencies.
- d) Press release and separate communication to Debenture Trustee on withdrawal of rating post redemption of entire amount due towards.

**2. Information from Debenture Trustees to Credit Rating Agencies**

- a) Whether the asset in respect of which security has been created is free from any encumbrance and adequate to ensure security cover for the debt securities or if there is any breach of the terms of creation of the security. This information shall be shared on a half yearly basis.
- b) Funds transferred to Debenture Redemption Reserve (DRR), depletion of the DRR /invocation of guarantee which could affect the payment of debt obligations. This information shall be shared annually.
- c) Details of redemption of the issue.
- d) Any default committed including the default in payment of interest or redemption of debt or delay in creation of security.
- e) Any change or restructuring of the terms of the issue.
- f) Periodic reports from lead banks about the progress of the project for which funds have been raised through debentures and certificate from issuer's auditors in respect of utilization of funds.
- g) Details of grievances filed by debenture-holders and action taken to resolve them.
- h) Non-cooperation by the issuer with respect to furnishing required reports/ certificates/ information.

Information pertaining to points c to h shall be shared on receipt.

## Chapter IX: Redress of Investors' Grievances

The primary obligation on resolution of complaints is that of the issuer. The dispute resolution mechanism administered by stock exchanges covers such listed companies and the holders of debt securities.

### 1. Investor Charter<sup>27</sup>

- 1.1. In order to facilitate investor awareness about various activities where an investor has to deal with Debenture Trustees for availing various services, SEBI has developed an Investor Charter for Debenture Trustees, *inter-alia* detailing the services provided to Investors, timelines for various Debenture Trustee services provided, Rights and Obligations of Investors and Grievance Redress Mechanism.
- 1.2. In this regard, all the registered Debenture Trustees shall take necessary steps to bring the Investor Charter, as provided at **Annex-IXA** of this Master Circular to the notice of investors by way of:
  - a) disseminating the Investor Charter on their websites/through e-mail;
  - b) displaying the Investor charter at prominent places in offices etc.
- 1.3. Trustee Association of India (TAI) shall also disseminate the Investor Charter on its website.
- 1.4. Additionally, in order to bring about transparency in the Investor Grievance Redress Mechanism, it has been decided that all the registered Debenture Trustees shall disclose on their respective websites, the data on complaints received against them or in respect of debt securities issues dealt by them and redress thereof, latest by seventh of the succeeding month, as per the format enclosed at **Annex-IXB** to this Master Circular.

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<sup>27</sup> SEBI/HO/MIRSD/MIRSD\_CRADT/P/CIR/2021/675 dated November 30, 2021

## 2. Exclusive e-mail ID to redress of Investor Complaints<sup>28</sup>

In order to address the issue of having a direct and quicker forum for enabling investors to register their complaints expeditiously, a Debenture Trustee shall designate an e-mail ID of the grievance redress division/ compliance officer exclusively for the purpose of registering complaints by investors. It shall display the email ID and other relevant details prominently on its website and in the various materials/ pamphlets/ advertisement campaigns initiated by it for creating investor awareness.

## 3. Redress of investor grievances through SEBI Complaints Redress System (SCORES) platform<sup>29</sup>

3.1. The Debenture Trustee shall send its details, in the format specified in **Annex-IXC** of this Master Circular to SEBI in hard copy and by email to scores@sebi.gov.in and obtain SCORES user id and password immediately within a period of one month from the date of registration. The email-id to be furnished by the Debenture Trustee for receiving SCORES user id and password from SEBI has to be preferably a corporate email id and necessarily a permanent one. Failure by any SEBI registered Debenture Trustees to obtain the SCORES user ID and password would not only be deemed as non-redress of investor grievances but also indicate willful avoidance of the same.

3.2. The Debenture Trustee shall submit the details in hard copy (**Annex-IXC**) to the Department/ Division of SEBI which has granted them registration to operate in the securities market. SCORES user id and password of the Debenture Trustee shall be created only after receiving approval from the concerned Department/ Division of SEBI.

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<sup>28</sup> MIRSD/DPS III//Cir-01/07 dated January 22, 2007

<sup>29</sup> Circular No. CIR/ OIAE/ 1/ 2014 dated Dec 18, 2014



3.3. The Debenture Trustee shall review its investors' grievances redress mechanism so as to further strengthen it and correct the existing shortcomings, if any. The SEBI registered Debenture Trustee to whom a complaint is forwarded through SCORES, shall take immediate efforts on receipt of a complaint, for its resolution, within thirty days. The SEBI registered Debenture Trustee shall keep the complainant duly informed of the action taken thereon.

3.4. The Debenture Trustee shall update the ATR along with supporting documents, if any, electronically in SCORES. ATR in physical form need not be sent to SEBI. The proof of dispatch of the reply of the SEBI registered Debenture Trustee to the concerned investor should also be uploaded in SCORES and preserved by the SEBI registered Debenture Trustee, for future reference.

3.5. Action taken by a Debenture Trustee will not be considered as complete if the relevant details/ supporting documents are not uploaded in SCORES and consequently, the complaints will be treated as pending.

3.6. A complaint shall be treated as resolved/ disposed/ closed only when SEBI disposes/ closes the complaint in SCORES. Hence, mere filing of ATR by a Debenture Trustee with respect to a complaint will not mean that the complaint is not pending against them.

3.7. Failure by a Debenture Trustee to file ATR under SCORES within thirty days of date of receipt of the grievance shall not only be treated as failure to furnish information to SEBI but shall also be deemed to constitute non-redress of investor grievance.

#### **4. Dissemination of Information regarding Grievance Redress Mechanism<sup>30</sup>**

For information of all investors who deal/ invest/ transact in the market, the following shall be prominently displayed in the offices of Debenture Trustees:

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<sup>30</sup> CIR/MIRSD/3/2014 dated August 28, 2014;



Dear Investor,

In case of any grievance / complaint against the Intermediary:

Please contact Compliance Officer of the Intermediary (Name and Address) / email-id (xxx.@email.com) and Phone No. - 91- XXXXXXXXXX.

You may also approach CEO / Partner / Proprietor (Name) / email id (xxx.@email.com) and Phone No. - 91-XXXXXXXXXX.

If not satisfied with the response of the intermediary, you can lodge your grievances with SEBI at <http://scores.gov.in> or you may also write to any of the offices of SEBI. For any queries, feedback or assistance, please contact SEBI Office on Toll Free Helpline at 1800 22 7575 / 1800 266 7575

**INVESTOR CHARTER – DEBENTURE TRUSTEES****1. Vision and Mission Statement for Investors****Vision:**

- Strive to protect the interest of investors in debt securities by acting as a trusted Debenture Trusteeship service provider.

**Mission:**

- To safeguard the interests of the investors in listed debt securities through adherence to regulatory guidelines.
- To achieve highest level of operational efficiencies through well-defined internal processes and domain expertise.

**2. Details of services provided by Debenture Trustee.**

- Facilitating documentation, exercising due diligence and timely creation of security for debt securities.
- Ensuring creation of securities by the Issuer and holding of security including safe custody of documents.
- Monitoring of payment of interest/redemption of principal.
- Monitoring security cover and other financial covenants.
- Dissemination of rating revision/ payment of interest/ redemption information by disclosing on Trustee's website/ with Credit Rating Agencies/ Stock Exchanges
- Timely and Effective resolution of investor complaints.
- Ascertain that the debentures have been converted or redeemed in accordance with the conditions under which they were offered to the investors.
- Enforcement of security as per terms of issue/ regulatory guidelines.
- Appoint a nominee director on the Board of the Issuer in case of event of default.

- Exercise due diligence to ensure compliance with the provisions of the Companies Act, 2013, the SEBI Regulations and the debenture trust deed by the Issuer.

### 3. Guidance pertaining to timelines for various services provided

S No.	Type of Activity/ Service	Timeline (within no. of days)
1.	<b>Disclosure by Debenture Trustee on Website or Stock Exchanges, as applicable</b>	
<b>On continuous basis</b>		
a.	Revision in Credit ratings of debt securities	1
b.	Status of payment of interest/ repayment of principal by the Issuer	1
<b>On quarterly basis</b>		
a.	Monitoring of Security Cover Certificate for secured debt listed debt securities	75/90
b.	Statement of value of pledged securities to Stock Exchange	75/90
c.	Status of Quarterly compliance report submitted by the Issuer	75/90
<b>On half yearly basis</b>		
a.	Details of issuances of listed debt securities handled by Debenture Trustee and their status	75
b.	Status of information regarding breach of covenants/ terms of the issue, if any action taken by debenture trustee	75
c.	Complaints received by debenture trustee(s) including default cases	75
d.	Net worth certificate of guarantor to stock exchange (in case listed debt securities are secured by way of personal guarantee)	75
<b>On annual basis</b>		
a.	Financials/value of guarantor prepared on basis of audited financial statement etc. of the guarantor(in case listed debt securities are secured by way of corporate guarantee)	75
b.	Status regarding maintenance of accounts maintained under supervision of debenture trustee	75

c.	Status of information regarding any default by the Issuer and action taken by debenture trustee	75
d.	Utilization Certificate submitted by the Issuer	75
<b>Once in three years</b>		
a.	Valuation report and title search report for the immovable/movable assets, if any.	75
<b>2.</b>	<b>Other services/activities</b>	
a.	Providing copy of debenture trust deed to investor	7
b.	Redress of Investor Grievances by Debenture Trustee	30
c.	Notice to be issued by Debenture Trustees in case of change in terms of debt securities including rollover, redemption of debt securities etc.	15

#### 4. Guidance pertaining to special circumstances

##### **BREACH OF COVENANT AND/OR EVENT OF DEFAULT**

The Debenture Trustee shall take following steps in case of breach of covenants or terms of issue and/or event of default:

- send a notice to the investors within 3 days of breach of covenants or terms of issue and/or event of default.
- convene the meeting of investors within 30 days of breach of covenants or terms of issue and/or event of default.
- to enforce security or enter into the Inter Creditor Agreement or as decided in the meeting of investors.

#### 5. Rights and Obligations of Investors

##### **Investor Right – Right to**

- Inspect debenture trust deed, to obtain copy of debenture trust deed and related documents as per prevailing state stamp laws.
- Receive notice of any change in terms of debt securities including rollover, redemption etc. or of breach of covenants and/or event of default from debenture trustees.

- c) of compromise or arrangement, to sanction any variation in the rights of the investors and to sanction any compromise or arrangement proposed to be made between the Issuer and investor(s)
- d) Call for a meeting to be convened by the debenture trustee on requisition in writing signed by investors holding at least 1/10th in value of the debentures for the time being outstanding.
- e) To lodge complaints with respect to their debt securities including non-receipt of interest and or principal etc. with Debenture Trustee.
- f) Receive information from Issuers as per SEBI Regulations and Companies Act, 2013.

#### **Investor Obligations – under obligation to**

- a) Read the information memorandum and debenture trust deed carefully before taking investment decision.
- b) Keep updated record with Depository Participant including bank details, address, email ID of first holder, PAN etc. at all times.
- c) Keep themselves updated with all information on public domain such as, debenture trustee website, Stock Exchange, India bond Info etc. and any other platform introduced from time to time.
- d) Participate in the meeting called by the Debenture Trustee.
- e) Cooperate with debenture trustee and provide information to debenture trustee
- f) Respond to debenture trustee's requests/ letters/ notices with clear and specific mandate within the time period specified in the letter/ notice by the debenture trustee.

## **6. Details of grievance redress mechanism**

- 6.1 Investor shall check the website of debenture trustees for the dedicated grievance email ID and other relevant details of the grievance redress division/compliance officer for the purpose of registering grievances/ complaints and any enquiry.

- 6.2 For lodging the grievance, the investor can write to the debenture trustee's dedicated grievance email ids or letter or can directly lodge complaints on the link provided by Debenture Trustee on its website.
- 6.3 While lodging a complaint it is necessary for investor to mention following:
- a) Nature of Complaint
  - b) Name of Issuer Company
  - c) Holding details including ISIN
  - d) Full Name of Debenture Holder
  - e) PAN
  - f) Correct Email ID
- 6.4 Upon receipt of the complaint, the Debenture Trustee after due verification shall send intimation of redress/ resolution of complaint via email / letter as applicable within the timeline.
- 6.5 In case a complaint is required to be escalated to the issuer by the debenture trustee, the same shall be escalated within seven days of receipt of complaint.
- 6.6 If the investor is not satisfied with the redress/resolution of the complaint by the debenture trustee, or the issuer, investor can lodge the complaint on the SEBI Complaints Redress System - SCORES (<https://scores.gov.in/>) or harness the dispute resolution mechanism specified by SEBI from time to time with respect to the Issuer.

**Annex-IXB**

**Data of complaints against Debenture Trustee to be displayed on its website-**

Format for disclosing of data of complaints on its website:

**1. Data for the month ending**

S. No.	Received from	Carried forward from previous month	Received during the month	Total Pending #	Resolved*	Pending at the end of the month**		Average Resolution time^ (in days)
						Pending for less than 3 months	Pending for more than 3 months	
1	Directly from Investors							
2	SEBI (SCORES)							
3	Stock Exchanges (if relevant)							
4	Other Sources (if any)							
5	Grand Total							

\*Should include complaints of previous months resolved in the current month, if any.

\*\*Should include total complaints pending as on the last day of the month, if any. ^Average resolution time is the sum total of time taken to resolve each complaint in the current month divided by total number of complaints resolved in the current month.



**2. Month – wise complaints data on half yearly basis:**

S No.	Month	Carried forward from previous month	Received	Resolved	Pending
1	July, 2021				
2	August, 2021				
3	September, 2021				
4	October, 2021				
5	November, 2021				
6	December, 2021				
	Grand Total				

**3. Trend of annual (Financial Year) disposal of complaints (for 5 years on rolling basis)**

S No.	Year	Carried forward from previous year	Received	Resolved	Pending
1	2017-18				
2	2018-19				
3	2019-20				
4	2020-21				
5	2021-22				
	Grand Total				

**AUTHENTICATION FOR SCORES BY SEBI REGISTERED DEBENTURE TRUSTEE**

1. Name of SEBI registered Debenture Trustee:
2. Nature of registered intermediary:
3. SEBI registration no.
4. PAN of SEBI registered Debenture Trustee:
5. Date of SEBI registration of Debenture Trustee
6. SEBI registration valid up to:
7. Office address of the intermediary:
8. The details of the concerned person of the Debenture Trustee to whom User id and password will be sent:

Name:

Designation:

Email id: (corporate and permanent email id) Mobile  
no.

Telephone No.:

Fax No.:

Place:

Date:

Signature:

Name:

Designation:

Seal:

*Note: A scanned copy to be sent by email to [scores@sebi.gov.in](mailto:scores@sebi.gov.in) followed by hard copy to the concerned Department/Division of Securities and Exchange Board of India, Plot No. C4-A, 'G' Block, Bandra Kurla Complex, Mumbai -400 051*

*Important: Please note that SCORES has the provision for updating SEBI registered Debenture Trustee's details by the intermediary itself. Any field (except the e-mail id which is permanent) such as registered office address, name/details of the compliance officer, telephone numbers, etc. should be changed by the SEBI registered Debenture Trustee immediately when warranted.*

## Chapter X: Breach of Covenants, Default and Remedies<sup>31</sup>

### 1. Event of default

1.1. Regulation 51 read with the Explanation to Clause A (11) in Part B of Schedule III of SEBI LODR Regulations defines 'default' as non-payment of interest or principal amount in full on the pre-agreed date which shall be recognized at the first instance of delay in the servicing of any interest or principal on debt.

1.2. In the manner of calling 'event of default', due to the presence of multiple ISINs which may have been issued under the same offer document or a single ISIN which may have been split across multiple offer documents it is clarified that 'event of default' shall be reckoned at the ISIN level, as all terms and conditions of issuance of security are same under a single ISIN even though it might have been issued under multiple offer documents.

### 2. Appointment of Director nominated by the Debenture Trustee on boards of issuers<sup>32</sup>

2.1. Regulation 23(6) of the SEBI NCS Regulations obligates an issuer which is a company under the Companies Act, 2013 to ensure that its Articles of Association requires its Board of Directors to appoint as director, the person nominated by the debenture trustee(s) in terms of clause (e) of sub-regulation (1) of regulation 15 of the SEBI (Debenture Trustees) Regulations, 1993.

2.2. Issuers other than those mentioned in para 2.1 above shall submit an undertaking to their Debenture Trustees that in case of events as mentioned in Regulation 15(1)(e) of SEBI (Debenture Trustees) Regulations, 1993, a non-executive / independent director / trustee / member of its governing body shall be designated as nominee director for the purposes of Regulation 23(6) of NCS Regulations, in consultation with the Debenture Trustee, or, in case of multiple Debenture Trustees, in consultation with all the Debenture Trustees.

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<sup>31</sup> SEBI/HO/MIRSD/CRADT/CIR/P/2020/203 dated October 13, 2020;

<sup>32</sup> SEBI/HO/DDHS/POD1/P/CIR/2023/112 dated July 04, 2023

### **3. Process of convening meeting of holders of debt securities and consent of investors for enforcement of security and for signing the Inter Creditor Agreement (ICA)**

3.1. The Reserve Bank of India ("RBI"), vide Circular dated June 07, 2019, issued the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019 which *inter alia* specified the mechanism for resolution of stressed assets by Lenders [viz. Scheduled Commercial Banks, All-India Term Financial Institutions, Small Finance Banks, Systemically Important Non-Deposit Taking Non-Banking Finance Companies (NBFCs) as well as Deposit Taking NBFCs]. In terms thereof, investors in debt securities, being financial creditors, are approached by other lenders to sign an agreement, referred to as the ICA, under specific terms detailed in the framework as stipulated by RBI.

3.2. Regulation 59 of SEBI LODR Regulations provides that material modification in the structure of debt securities shall be made only after obtaining the consent of the requisite majority of investors. Regulation 39 of the SEBI NCS Regulations, applicable in case of public issue of debt securities, stipulates a period of fifteen days for giving notice in case of roll-over of debt securities and further provides for approval to be obtained from not less than three-fourth of the holders by value of such debt securities.

3.3. As the resolution plan in the ICA may involve restructuring including roll-over of debt securities, requiring the consent of the investors, the process to be followed for seeking consent for enforcement of security and/or entering into an ICA shall be as under:

3.3.1. The Debenture Trustee shall send a notice to the investors within three days of the event of default by registered post/ acknowledgement due or speed post/ acknowledgement due or courier or hand delivery with proof of delivery as also through email as a text or as an attachment to email with a notification including a read receipt, and proof of dispatch of such notice or email, shall be maintained.

3.3.2. The notice shall contain the following:

- a) A provision for negative consent for proceeding with the enforcement of security; and
- b) A provision for positive consent for signing the ICA (in case the Debenture Trustee is approached by other lenders for signing/ joining the ICA); and
- c) the time period within which the consent needs to be provided, viz. consent to be given within 15 days from the date of notice; and
- d) the date of meeting to be convened.
- e) A disclosure to the effect that in case requisite consents are not received either for enforcement of security or for signing ICA, then the Debenture Trustee shall take further action, if any, as per the decision taken in the meeting of the holders of listed debt securities.

3.3.3. Debenture Trustee shall convene the meeting of holders of listed debt securities within 30 days of the event of default:

Provided that in case the default is cured between the date of notice and the date of meeting, then the convening of such a meeting may be dispensed with.

3.3.4. In view of Regulation 15(2)(b) of SEBI (Debenture Trustees) Regulations, 1993, in case of debt securities issued by way of public issue, the notice sent by the Debenture Trustee shall not contain the consent as per para 2.3.2.a) and the requirement to convene a meeting for enforcement of security, as per para 2.3.4, shall not be applicable.

3.3.5. The Debenture Trustee shall take necessary action to enforce security or enter into the ICA or as decided in the meeting of investors, subject to the following:

- a) In case(s) where the majority of holders of listed debt securities express dissent, i.e. against enforcement of the security, the DEBENTURE TRUSTEE shall not enforce security.

- b) In case(s) where majority of holders of listed debt securities express consent, i.e. to enter into the ICA, the DEBENTURE TRUSTEE shall enter into the ICA.
- c) In case requisite consents are not received either for enforcement of security or for signing ICA, then the Debenture Trustee shall take further action, if any, as per the decision taken in the meeting of the holders of listed debt securities.
- d) The Debenture Trustee may form a representative committee of the holders of listed debt securities to participate in the ICA or to enforce the security or as may be decided in the meeting.

3.3.6. The consent of the majority of holders of listed debt securities shall mean the approval of not less than 75% of the holders of listed debt securities by value of the outstanding debt and 60% of the holders of listed debt securities by number at the ISIN level.

#### **4. Conditions for signing of ICA by Debenture Trustee on behalf of holders of listed debt securities**

4.1. The Debenture Trustee(s) may sign the ICA and consider the resolution plan on behalf of the holders of listed debt securities upon compliance with the following conditions:

- a) The signing of the ICA and agreeing to the resolution plan is in the interest of holders of listed debt securities and in compliance with the Companies Act, 2013 and the rules made thereunder, the Securities Contracts (Regulations) Act, 1956 and the Securities and Exchange Board of India Act, 1992 and the rules, regulations and circulars issued thereunder from time to time.
- b) If the resolution plan imposes conditions on the Debenture Trustee that are not in accordance with the provisions of Companies Act, 2013 and the rules made thereunder, the Securities Contracts (Regulations) Act, 1956 and the Securities and Exchange Board of India Act, 1992 and the rules, regulations and circulars

issued thereunder from time to time, then the Debenture Trustee shall be free to exit the ICA altogether with the same rights as if it had never signed the ICA. Under these circumstances, the resolution plan shall not be binding on the Debenture Trustee(s).

- c) The resolution plan shall be finalized within 180 days from the end of the review period. If the resolution plan is not finalized within 180 days from the end of the review period, then the Debenture Trustee shall be free to exit the ICA altogether with the same rights as if it had never signed the ICA and the resolution plan shall not be binding on the Debenture Trustee. However, if the finalization of the resolution plan extends beyond 180 days, the Debenture Trustee may consent to an extension beyond 180 days subject to the approval of the investors regarding the total timeline. The total timeline shall not exceed 365 days from the date of commencement of the review period.
- d) If any of the approved Resolution Plan are contravened by any of the signatories to the ICA, the Debenture Trustee shall be free to exit the ICA and seek appropriate legal recourse or any other action as deemed fit in the interest of the investors.

4.2. The Debenture Trustee shall ensure that the conditions mentioned in paragraphs 3.1 (b), (c) and (d) are suitably incorporated in the ICA, before signing of the ICA.

## **5. Action to be taken in case of breach of covenants or terms of issue**

In case of breach of covenants or terms of the issue by the Issuer, the Debenture Trustee shall take steps as outlined in paras 2.3.1 and 2.3.3 of this chapter and thereafter take necessary action as decided in the meeting of holders of debt securities in this regard.

## **Chapter XI: Operational framework for transactions in defaulted debt securities post maturity date/ redemption date<sup>33</sup>**

The operational framework for transactions in defaulted debt securities (debt securities where redemption amount has not been paid on maturity/ redemption date) has been outlined in Chapter XI of the NCS operational circular. The obligations of Debenture Trustee arising out of the same has been outlined below:

### **1. Role of Debenture Trustee:**

- 1.1. In case the Issuer fails to intimate the status of payment of the debt securities within stipulated timelines, then Debenture Trustee shall seek status of payment from the issuer and/ or conduct independent assessment (from banks, investors, rating agencies, etc.) to determine the same. Based on such assessment, Debenture Trustee shall intimate Stock Exchange and Depositories the status of payment of debt securities within nine working days of the maturity/ redemption date.
- 1.2. In case intimation of the status of payment of debt securities is not received by Stock Exchanges and Depositories within stipulated timeline, transactions in such debt securities shall continue to be restricted and such restrictions shall continue until any further intimation is received from Issuer/ Debenture Trustee regarding the status of payment of such debt securities.

### **2. Continuous assessment of default status:**

- 2.1. In case the Issuer fails to intimate the updated status of payment of the concerned debt securities within the stipulated timelines, the Debenture Trustee shall carry independent assessment as given at paragraph 1 above and intimate the status of payment of debt securities to the Stock Exchange and Depositories by the seventh working day of April of each financial year.

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<sup>33</sup> SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021 (as amended from time to time)



- 2.2. In case of any developments that impact the status of default of the debt securities (including restructuring of debt securities, NCLT/ NCLAT proceedings relating to insolvency/ bankruptcy, repayment, etc.), the Issuer/ Debenture Trustee shall intimate the Stock Exchanges and Depositories within one working day of such development.
- 2.3. The process explained above shall be followed either till full payment on these securities is made by the Issuer or the Issuer has been liquidated and money has been realised after completion of recovery proceedings.

## Chapter XII: Centralised Database - Responsibilities of Debenture Trustee<sup>34</sup>

Debenture Trustee shall access the database to verify the information regarding default history and other relevant information. In case of any discrepancy, Debenture Trustee shall notify the same to Stock Exchanges and update the correct information in the database, within the time stipulated below-

Activity	Timelines
Verification and updating of default history information about the instrument/ issuer, as applicable in the database	Within seven days knowledge of of default

<sup>34</sup> SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021 (as amended from time to time);

### Chapter XIII: Reporting of regulatory compliance<sup>35</sup>

1. The Debenture Trustee shall furnish periodical reports to SEBI in the following manner:

Report	Periodicity	Format
Half yearly compliance report	Half-yearly basis within 75 days of the end of each half-year	<b>Annex-XIIIA</b>
Details of other activities carried out by Debenture Trustee(s) including type of activity, description of activity etc.		-
Risk-Based Supervision report		-

2. The half-yearly compliance report shall be reviewed by the Board of Directors of the Debenture Trustee prior to the submission to SEBI.

<sup>35</sup> SEBI/HO/MIRSD/MIRSD\_CRADT/CIR/P/2022/67 dated May 19, 2022 and CIR/MIRSD/10/2011 dated June 20, 2011;

**COMPLIANCE CERTIFICATE FOR THE HALF YEAR ENDED SEPTEMBER / MARCH 20..****a) No conflict of interests with other activities**

The activities other than debenture trusteeship performed by Debenture Trustee are not in conflict with Debenture Trustee activities and appropriate systems and policies have been put in place to protect the interests of debenture holders.

**b) Change in status or constitution**

Reporting of changes in status or constitution' of Debenture Trustee including the following:

- i. Amalgamation, demerger, consolidation or any other kind of corporate restructuring falling within the scope of section 391 of the Companies Act, 1956 (1 of 1956) or the corresponding provision of any other law for the time being in force
- ii. Change in Director, including managing director/ whole-time director
- iii. Change in shareholding not resulting in change in control

*If there is no change during the relevant quarter, it shall be indicated in the report.*

**c) Other Information**

- i. Details of arrest /conviction of key officials of Debenture Trustee
- ii. Details of prosecution cases or criminal complaints filed by investors against the Debenture Trustee
- iii. Details of any fraudulent activity by the employees associated with Debenture Trustee activities and action taken by the Debenture Trustee
- iv. Details of conviction of any offence involving moral turpitude or any economic offence by employees of Debenture Trustee
- v. Action taken by the Debenture Trustee on the above issues

**d) Compliance with registration requirements:**

Certified that the requirements specified for SEBI registration as Debenture Trustee are fulfilled, the details are as under;

- i. Net worth (audited) as defined in the Regulations as on FY ended .....  
(as per the latest audited financials)
- ii. Any change in infrastructure since the last report/ registration/ renewal

iii. Changes in Key personnel during the half year ended.....)

Name(s) of the key personnel	Appointment / Cessation	Date of appointment / cessation	Qualification	Experience

**e) Details of deficiencies and non-compliances**

**f) Details of the review of the report by the Board of Directors**

- i. Date of Board Review (DD/MM/YYYY)
- ii. Observation of the Board of Directors on the deficiencies and non-compliances and corrective measures initiated

, Certified that we have complied with SEBI (Debenture Trustee) Regulations, 1993 applicable provisions of SEBI (Issue and Listing of Non-convertible Securities) Regulations, 2021, Circulars issued by SEBI and any other laws applicable from time to time, other than the deficiencies and non-compliances reported by us at Section(e) above.

Name of Compliance Officer

Email ID

## Chapter XIV: Guidelines on Outsourcing of Activities by Debenture Trustee<sup>36</sup>

1. DT Regulations requires Debenture Trustees to render high standards of service and exercise due diligence and ensure proper care in its operations. It has been observed that often intermediaries resort to outsourcing with a view to reduce costs, and at times, for strategic reasons.
2. Outsourcing may be defined as the use of one or more than one third party – either within or outside the group - by a registered intermediary to perform the activities associated with services which the intermediary offers.
3. The principles for outsourcing to be followed by Debenture Trustee are specified at **Annex-XIVA** of this Master Circular.
4. A Debenture Trustee desirous of outsourcing its activities shall not, outsource its core business activities and compliance functions.
5. The Debenture Trustee shall comply with the provisions of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011 and guidelines issued thereunder from time to time.
6. The Debenture Trustee shall be responsible for reporting of any suspicious transactions/ reports to FIU or any other competent authority in respect of activities carried out by the third parties.

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<sup>36</sup> CIR/MIRSD/24/2011 dated December 15, 2011;

**PRINCIPLES OF OUTSOURCING FOR DEBENTURE TRUSTEES**

- 1. A Debenture Trustee seeking to outsource activities shall have in place a comprehensive policy to guide the assessment of whether and how those activities can be appropriately outsourced. The Board/ partners (as the case may be) {hereinafter referred to as the “the Board”} of the intermediary shall have the responsibility for the outsourcing policy and related overall responsibility for activities undertaken under that policy.**
  - 1.1 The policy shall cover activities or the nature of activities that can be outsourced, the authorities who can approve outsourcing of such activities, and the selection of third party to whom it can be outsourced. For example, an activity shall not be outsourced if it would impair the supervisory authority’s right to assess, or its ability to supervise the business of the Debenture Trustee. The policy shall be based on an evaluation of risk concentrations, limits on the acceptable overall level of outsourced activities, risks arising from outsourcing multiple activities to the same entity, etc.
  - 1.2 The Board shall mandate a regular review of outsourcing policy for such activities in the wake of changing business environment. It shall also have overall responsibility for ensuring that all ongoing outsourcing decisions taken by the Debenture Trustee and the activities undertaken by the third-party, are in keeping with its outsourcing policy.
- 2. The Debenture Trustee shall establish a comprehensive outsourcing risk management programme to address the outsourced activities and the relationship with the third party.**
  - 2.1 A Debenture Trustee shall make an assessment of outsourcing risk which depends on several factors, including the scope and materiality of the

outsourced activity, etc. The factors that could help in considering materiality in a risk management programme include-

- a) The impact of failure of a third party to adequately perform the activity on the financial, reputational and operational performance of the Debenture Trustee and on the investors / clients;
- b) Ability of the Debenture Trustee to cope up with the work, in case of non-performance or failure by a third party by having suitable back-up arrangements;
- c) Regulatory status of the third party, including its fitness and probity status;
- d) Situations involving conflict of interest between the Debenture Trustee and the third party and the measures put in place by the Debenture Trustee to address such potential conflicts, etc.

2.2 While there shall not be any prohibition on a group entity/ associate of the Debenture Trustee to act as the third party, systems shall be put in place to have an arm's length distance between the Debenture Trustee and the third party in terms of infrastructure, manpower, decision-making, record keeping, etc. for avoidance of potential conflict of interests. Necessary disclosures in this regard shall be made as part of the contractual agreement. It shall be kept in mind that the risk management practices expected to be adopted by a Debenture Trustee while outsourcing to a related party or an associate would be identical to those followed while outsourcing to an unrelated party.

2.3 The records relating to all activities outsourced shall be preserved centrally so that the same is readily accessible for review by the Board of the Debenture Trustee and/or its senior management, as and when needed. Such records shall be regularly updated and may also form part of the corporate governance review by the management of the Debenture Trustee.

2.4 Regular reviews by internal or external auditors of the outsourcing policies, risk management system and requirements of the regulator shall be mandated by the Board wherever felt necessary. The Debenture Trustee shall review the



financial and operational capabilities of the third party in order to assess its ability to continue to meet its outsourcing obligations.

**3. The Debenture Trustee shall ensure that outsourcing arrangements neither diminish its ability to fulfill its obligations to customers and regulators, nor impede effective supervision by the regulators.**

3.1 The Debenture Trustee shall be fully liable and accountable for the activities that are being outsourced to the same extent as if the service were provided in-house.

3.2 Outsourcing arrangements shall not affect the rights of an investor or client against the Debenture Trustee in any manner. The Debenture Trustee shall be liable to the investors for the loss incurred by them due to the failure of the third party and also be responsible for redress of the grievances received from investors arising out of activities rendered by the third party.

3.3 The facilities / premises / data that are involved in carrying out the outsourced activity by the service provider shall be deemed to be those of the registered Debenture Trustee. The Debenture Trustee itself and Regulator or the persons authorized by it shall have the right to access the same at any point of time.

3.4 Outsourcing arrangements shall not impair the ability of SEBI/ SRO or auditors to exercise its regulatory responsibilities such as supervision/inspection of the Debenture Trustee.

**4. The Debenture Trustee shall conduct appropriate due diligence in selecting the third party and in monitoring of its performance.**

4.1 It is important that the Debenture Trustee exercises due care, skill, and diligence in the selection of the third party to ensure that the third party has the ability and capacity to undertake the provision of the service effectively.

4.2 The due diligence undertaken by an Debenture Trustee shall include assessment of:

- a) third party's resources and capabilities, including financial soundness, to perform the outsourcing work within the timelines fixed;
- b) compatibility of the practices and systems of the third party with the Debenture Trustee's requirements and objectives;
- c) market feedback of the prospective third party's business reputation and track record of their services rendered in the past;
- d) level of concentration of the outsourced arrangements with a single third party; and
- e) the environment of the foreign country where the third party is located.

**5. Outsourcing relationships shall be governed by written contracts/ agreements/ terms and conditions (as deemed appropriate) {hereinafter referred to as "contract"} that clearly describe all material aspects of the outsourcing arrangement, including the rights, responsibilities and expectations of the parties to the contract, client confidentiality issues, termination procedures, etc.**

5.1 Outsourcing arrangements shall be governed by a clearly defined and legally binding written contract between the Debenture Trustee and each of the third parties, the nature and detail of which shall be appropriate to the materiality of the outsourced activity in relation to the ongoing business of the Debenture Trustee.

5.2 Care shall be taken to ensure that the outsourcing contract:

- a) clearly defines what activities are going to be outsourced, including appropriate service and performance levels;
- b) provides for mutual rights, obligations and responsibilities of the Debenture Trustee and the third party, including indemnity by the parties;
- c) provides for the liability of the third party to the Debenture Trustee for unsatisfactory performance/other breach of the contract

- d) provides for the continuous monitoring and assessment by the Debenture Trustee of the third party so that any necessary corrective measures can be taken up immediately, i.e., the contract shall enable the Debenture Trustee to retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations;
- e) includes, where necessary, conditions of sub-contracting by the third-party, i.e. the contract shall enable Debenture Trustee to maintain a similar control over the risks when a third party outsources to further third parties as in the original direct outsourcing;
- f) has unambiguous confidentiality clauses to ensure protection of proprietary and customer data during the tenure of the contract and also after the expiry of the contract;
- g) specifies the responsibilities of the third party with respect to the IT security and contingency plans, insurance cover, business continuity and disaster recovery plans, force majeure clause, etc.;
- h) provides for preservation of the documents and data by third party;
- i) provides for the mechanisms to resolve disputes arising from implementation of the outsourcing contract;
- j) provides for termination of the contract, termination rights, transfer of information and exit strategies;
- k) addresses additional issues arising from country risks and potential obstacles in exercising oversight and management of the arrangements when Debenture Trustee outsources its activities to foreign third party. For example, the contract shall include choice-of-law provisions and agreement covenants and jurisdictional covenants that provide for adjudication of disputes between the parties under the laws of a specific jurisdiction;
- l) neither prevents nor impedes the Debenture Trustee from meeting its respective regulatory obligations, nor the regulator from exercising its regulatory powers; and
- m) provides for the Debenture Trustee and /or the regulator or the persons authorized by it to have the ability to inspect, access all books, records and information relevant to the outsourced activity with the third party.

**6. The Debenture Trustee and its third parties shall establish and maintain contingency plans, including a plan for disaster recovery and periodic testing of backup facilities.**

6.1 Specific contingency plans shall be separately developed for each outsourcing arrangement, as is done in individual business lines.

6.2 A Debenture Trustee shall take appropriate steps to assess and address the potential consequence of a business disruption or other problems at the third party level. Notably, it shall consider contingency plans at the third party; coordination of contingency plans at both the Debenture Trustee and the third party; and contingency plans of the Debenture Trustee in the event of non-performance by the third party.

6.3 To ensure business continuity, robust information technology security is a necessity. A breakdown in the IT capacity may impair the ability of the Debenture Trustee to fulfil its obligations to other market participants/clients/regulators and could undermine the privacy interests of its customers, harm the Debenture Trustee's reputation, and may ultimately impact on its overall operational risk profile. Intermediaries shall, therefore, seek to ensure that third party maintains appropriate IT security and robust disaster recovery capabilities.

6.4 Periodic tests of the critical security procedures and systems and review of the backup facilities shall be undertaken by the Debenture Trustee to confirm the adequacy of the third party's systems.

**7. The Debenture Trustee shall take appropriate steps to require that third parties protect confidential information of both the Debenture Trustee and its customers from intentional or inadvertent disclosure to unauthorized persons.**

7.1 A Debenture Trustee that engages in outsourcing is expected to take appropriate steps to protect its proprietary and confidential customer information and ensure that it is not misused or misappropriated.

7.2 The Debenture Trustee shall prevail upon the third party to ensure that the employees of the third party have limited access to the data handled and only on a “need to know” basis and the third party shall have adequate checks and balances to ensure the same.

7.3 In cases where the third party is providing similar services to multiple entities, the Debenture Trustee shall ensure that adequate care is taken by the third party to build safeguards for data security and confidentiality.

**8. Potential risks posed where the outsourced activities of multiple intermediaries are concentrated with a limited number of third parties.**

In instances, where the third party acts as an outsourcing agent for multiple intermediaries, it is the duty of the third party and the Debenture Trustee to ensure that strong safeguards are put in place so that there is no co-mingling of information /documents, records and assets.

**Chapter XV: Unauthenticated news circulated by SEBI registered market intermediaries through various modes of communication<sup>37</sup>**

1. It has been observed by SEBI that unauthenticated news related to various scrips are circulated in blogs/ chat forums/ e-mail etc. by employees of Broking Houses/ Other Intermediaries without adequate caution as mandated in the Code of Conduct.
2. Further, in various instances, it has been observed that the Intermediaries do not have proper internal controls and do not ensure that proper checks and balances are in place to govern the conduct of their employees. Due to lack of proper internal controls and poor training, employees of such intermediaries are sometimes not aware of the damage which can be caused by circulation of unauthenticated news or rumours. It is a well-established fact that market rumours can do considerable damage to the normal functioning and behaviour of the market and distort the price discovery mechanisms.
3. In view of the above, a Debenture Trustee shall ensure that:
  - 3.1. Proper internal code of conduct and controls is put in place.
  - 3.2. Employees/ temporary staff/ voluntary workers etc. employed/ working in the Offices of SEBI registered Debenture Trustees do not encourage or circulate rumours or unverified information obtained from client, industry, any trade or any other sources without verification.
  - 3.3. Access to Blogs/ Chat forums/ Messenger sites etc. should either be restricted under supervision or access should not be allowed.
  - 3.4. Logs for any usage of such Blogs/ Chat forums/ Messenger sites (called by any nomenclature) shall be treated as records and the same should be maintained as specified by the respective Regulations which govern the concerned Debenture Trustee.

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<sup>37</sup> CIR/ISD/1/2011 dated March 23, 2011 and CIR/ISD/2/2011 dated March 24, 2011

3.5. Employees should be directed that any market related news received by them either in their official mail/ personal mail/ blog or in any other manner, should be forwarded only after the same has been seen and approved by the concerned SEBI registered Debenture Trustee's Compliance Officer. If an employee fails to do so, he/ she shall be deemed to have violated the various provisions contained in SEBI Act/ Rules/ Regulations etc. and shall be liable for action. The Compliance Officer shall also be held liable for breach of duty in this regard.

**Chapter XVI: General Guidelines for dealing with Conflicts of Interest by  
Debenture Trustee and its Associated Persons in Securities Market<sup>38</sup>**

1. All intermediaries, recognised stock exchanges, recognised clearing corporations and depositories (hereinafter collectively referred to as "such entities") are presently governed by the provisions for avoidance of conflict of interest as mandated in the respective regulations read with relevant circulars issued from time to time by SEBI. On the lines of Principle 8 of the International Organisation of Securities Commissions (IOSCO) Objectives and Principles of Securities Regulations, it has been decided to put in place comprehensive guidelines to collectively cover such entities and their associated persons, for elimination of their conflict of interest, as detailed hereunder.
2. The Debenture Trustee shall adhere to these guidelines for avoiding or dealing with or managing conflict of interest. It shall be responsible for educating its associated persons for compliance of these guidelines.
3. For the purpose of these guidelines, "associated persons" have the same meaning as defined in Securities and Exchange Board of India Certification of Associated Persons in the Securities Markets) Regulations, 2007.
4. Debenture Trustee and its associated persons shall,
  - 4.1. lay down, with active involvement of senior management, policies and internal procedures to identify and avoid or to deal or manage actual or potential conflict of interest, develop an internal code of conduct governing operations and formulate standards of appropriate conduct in the performance of their activities, and ensure to communicate such policies, procedures and code to all concerned;
  - 4.2. at all times maintain high standards of integrity in the conduct of their business;
  - 4.3. ensure fair treatment of their clients and not discriminate amongst them;

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<sup>38</sup> SEBI Circular No. CIR/ MIRSD/ 5/ 2013 dated August 27, 2013;



- 4.4. ensure that their personal interest does not, at any time conflict with their duty to their clients and client's interest always takes primacy in their advice, investment decisions and transactions;
  - 4.5. make appropriate disclosure to the clients of possible source or potential areas of conflict of interest which would impair their ability to render fair, objective and unbiased services;
  - 4.6. endeavour to reduce opportunities for conflict through prescriptive measures such as through information barriers to block or hinder the flow of information from one department/ unit to another, etc.;
  - 4.7. place appropriate restrictions on transactions in securities while handling a mandate of issuer or client in respect of such security so as to avoid any conflict;
  - 4.8. not deal in securities while in possession of material non - published information
  - 4.9. not to communicate the material non-published information while dealing in securities on behalf of others
  - 4.10. not in any way contribute to manipulate the demand for or supply of securities in the market or to influence prices of securities;
  - 4.11. not have an incentive structure that encourages sale of products not suiting the risk profile of their clients;
  - 4.12. not share information received from clients or pertaining to them, obtained as a result of their dealings, for their personal interest;
5. The boards of the Debenture Trustee shall put in place systems for implementation of the provisions of this chapter and provide necessary guidance enabling identification, elimination or management of conflict of interest situations.

6. The said guidelines shall be in addition to the provisions, if any, contained in respective regulations/ circulars issued by the Board from time to time regarding dealing with conflict of interest, in respect of Debenture Trustee.



### Glossary

Term	Description
ATR	Action Taken Report
CERSAI	Central Registry of Securitization Asset Reconstruction and Security Interest
CIBIL	Credit Information Bureau (India) Limited
CRA	Credit Rating Agency
DLT	Distributed Ledger Technology
DRR	Debenture Redemption Reserve
DSRA	Debt Service Reserve Account
DT	Debenture Trustees
DT Regulations	Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993
DTD	Debenture Trust Deed
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortisation
ERP	Enterprise Resource Planning
FAR	Fixed Asset Register
FIU	Financial Intelligence Unit
IBBI	Insolvency and Bankruptcy Board of India
ICA	Inter Creditor Agreement
IM	Information Memorandum
IMPS	Immediate Mobile Payment Service
INR	Indian National Rupee
IOSCO	International Organisation of Securities Commissions
ISIN	International Securities Identification Number
IU	Information Utility
KYC	Know Your Client
LODR Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015
MRR	Minimum Required Reserve



NBFCs	Non-Banking Finance Companies
NCLAT	National Company Law Appellate Tribunal
NCLT	National Company Law Tribunal
NCS Regulations	Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021
NEFT	National Electronic Funds Transfer
NOC	No Objection Certificate
OD	Offer Document
PAN	Permanent Account Number
PM	Placement Memorandum
PPM	Preliminary Placement Memorandum
RBI	Reserve Bank of India
REF	Recovery Expenses Fund
ROC	Registrar of Companies
RTGS	Real-Time Gross Settlement
SCORES	SEBI Complaints Redress System
SCRA	Securities Contracts (Regulation) Act, 1956
SEBI	Securities and Exchange Board of India
SRO	Self-Regulatory Organisation
TAI	Trustee Association of India
UDIN	Unique Document Identification Number
UTR	Unique Transaction Reference

**Part A - List of circulars superseded by the Master Circular**

<b>Sl. No.</b>	<b>Reference Number of Circular</b>	<b>Date</b>	<b>Name of the Circular</b>
1.	SEBI/ HO/ MIRSD/ DOP2/ CIR/ P/ 2018/063	April 09, 2018	Master Circular For Debenture Trustees
2.	CIR/MIRSD/25/2011	December 19, 2011	Review of Regulatory Compliance, Periodic Reporting and Contents of Trust Deed
3.	CIR/MIRSD/3/2013	March 15, 2013	Sharing of information regarding issuer companies between Debenture Trustees and Credit Rating Agencies
4.	SEBI/HO/MIRSD/MIRSD 3/CIR/P/2017/72	June 30, 2017	Clarification on monitoring of Interest/ Principal repayment and sharing of such information with Credit Rating Agencies by Debenture Trustees
5.	CIR/MIRSD/DT/10/2011	June 20, 2011	Periodical Report- Grant of prior approval to Debenture Trustees
6.	SEBI/HO/MIRSD/CRADT /CIR/P/2020/203	October 13, 2020	Standardisation of procedure to be followed by Debenture Trustee(s) in case of 'Default' by Issuers of listed debt securities
7.	SEBI/HO/MIRSD/CRADT /CIR/P/2020/207	October 22, 2020	Contribution by Issuers of listed or proposed to be listed debt securities towards creation of "Recovery Expense Fund"
8.	SEBI/HO/MIRSD/CRADT /CIR/P/2020/218	November 03, 2020	Creation of Security in issuance of listed debt securities and 'due diligence' by debenture trustee(s)
9.	SEBI/ HO/ MIRSD/ CRADT/ CIR/ P/ 2020/230	November 12, 2020	Monitoring and Disclosures by Debenture Trustee(s)

10.	SEBI/HO/MIRSD/MIRSD _CRADT/CIR/P/2021/618	August 13, 2021	'Security and Covenant Monitoring' using Distributed Ledger Technology
11.	SEBI/ HO/ MIRSD/ CRADT/ CIR/ P/ 2022/ 38	March 29, 2022	Operational guidelines for 'Security and Covenant Monitoring' using Distributed Ledger Technology (DLT)
12.	SEBI/HO/MIRSD/MIRSD _CRADT/CIR/P/2022/67	May 19, 2022	Revised format of security cover certificate, monitoring and revision in timelines
13.	SEBI/HO/DDHS/DDHS_ Div1/P/CIR/2022/106	August 04, 2022	Enhanced guidelines for debenture trustees and listed issuer companies on security creation and initial due diligence
14.	SEBI/HO/MIRSD/MIRSD _CRADT/P/CIR/2021/675	November 30, 2021	Investor Charter
15.	SEBI/HO/DDHS/DDHSRA CPOD1/P/CIR/2022/176	December 19, 2022	Clarification to SEBI circular dated August 04, 2022 on enhanced guidelines for debenture trustees and listed issuer companies on security creation and initial due diligence

**Part B - List of circulars wherein applicability to Debenture Trustees only have  
been rescinded**

<b>Sl. No.</b>	<b>Reference Number of Circular</b>	<b>Date</b>	<b>Name of the Circular</b>
1.	SEBI/MIRSD/DR2/SRP/Cir - 2/ 2005	January 04, 2005	Renewal of Certificate of Registration
2.	MIRSD/DPS III//Cir-01/07	January 22, 2007	Exclusive e-mail ID for redress of Investor Complaints
3.	MIRSD/ DPSIII/ Cir-21/ 08	July 07, 2008	Designated e-mail ID for regulatory communication with SEBI
4.	Cir/ ISD/1/2011	March 23, 2011	Unauthenticated news circulated by SEBI Registered Market Intermediaries through various modes of communication
5.	Cir/ISD/2/2011	March 24, 2011	Addendum to Circular no. Cir/ISD/1/2011 dated March 23, 2011
6.	CIR/MIRSD/14/2011	August 02, 2011	Revised procedure for seeking prior approval for change in control through single window
7.	CIR/MIRSD/13/2011	August 02, 2011	Processing of Investor Complaints in SEBI Complaints Redress System (SCORES)
8.	CIR/MIRSD/24/2011	December 15, 2011	Guidelines on Outsourcing of Activities by Intermediaries
9.	CIR/MIRSD/5/2013	August 27, 2013	General Guidelines for dealing with Conflicts of Interest of Intermediaries, Recognised Stock Exchanges, Recognised Clearing Corporations, Depositories and their Associated Persons in Securities Market
10.	CIR/MIRSD/3/2014	August 28, 2014	Information regarding Grievance Redress Mechanism
11.	CIR/OIAE/1/2014	December 18, 2014	Redress of investor grievances through SEBI Complaints Redress System (SCORES) platform
12.	SEBI/HO/MIRSD/MIRSD1 /CIR/P/2017/38	May 02, 2017	Online Registration Mechanism for Securities Market Intermediaries

13.	SEBI/HO/GSD/T&A/CIR/P/2017/42	May 16, 2017	Digital mode of payment
14.	SEBI/ HO/ MIRSD/ DOS3/CIR/P/2019/68	May 27, 2019	Enhanced disclosure in case of listed debt securities
15.	SEBI/HO/MIRSD/DOR/CI R/P/2021/42	March 25, 2021	Prior Approval for Change in control: Transfer of shareholdings among immediate relatives and transmission of shareholdings and their effect on change in control
16.	SEBI/HO/MIRSD/DOR/CI R/P/2021/46	March 26, 2021	Transfer of business by SEBI registered intermediaries to other legal entity
17.	SEBI/HO/DDHS/POD1/P/CI R/2023/112	July 04, 2023	Appointment of Director nominated by the Debenture Trustee on boards of issuers