CDSL/OPS/RTA/POLCY/2024/105 **July 4, 2024**

SEBI CIR - REDUCTION IN DENOMINATION OF DEBT SECURITIES AND NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES

Issuer / RTAs are advised to refer to the SEBI Circular no. **SEBI/HO/DDHS/DDHS-PoD-1/P/CIR/2024/94 dated July 03, 2024**, regarding **Reduction in denomination of debt securities and non-convertible redeemable preference shares [refer Annexure].**

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

Queries regarding this communiqué may be addressed to: **CDSL – Helpdesk** Emails may be sent to: dprtasupport@cdslindia.com and telephone number 022-6234-3333.

For and on behalf of
Central Depository Services (India) Limited

sd/-

Nilesh Shah
Asst. Vice President - Operations

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/DDHS/DDHS-PoD-1/P/CIR/2024/94 **July 03, 2024**

To,

Issuers who have listed and/ or propose to list Non-convertible Securities;
Recognised Stock Exchanges;
Registered Depositories;
Registered Credit Rating Agencies, Debenture Trustees, Merchant Bankers, Registrars to an Issue and Share Transfer Agents and Bankers to an Issue

Madam/ Sir,

Subject: <u>Reduction in denomination of debt securities and non-convertible redeemable preference shares</u>
(Modification to Chapter V of the Master Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper dated May 22, 2024)

1. Chapter V (*Denomination of issuance and trading of Non-convertible Securities*) of the Master Circular no. SEBI/HO/DDHS/PoD1/P/CIR/2024/54 dated May 22, 2024, (hereinafter referred as '*Master Circular*') issued by SEBI, prescribes provisions pertaining to denomination of issuance and trading of non-convertible securities.

2. Market participants have expressed that lower ticket size of debt securities may encourage more non-institutional investors to participate in the corporate bond market which in turn may also enhance liquidity.

3. In view of the above, the following amendments are being made in Chapter V *(Denomination of issuance and trading of Non-convertible Securities)* of the Master Circular:

3.1. In Clause 1.1, after the words “shall be Rs. One lakh”, the words “except as provided in Clause 1.3 below” shall be inserted.

3.2. Clause 1.3 shall be inserted with the following:

“1.3 The Issuer may issue debt security or non-convertible redeemable preference share on private placement basis at a face value of Rs. Ten Thousand,

(i) Subject to the following conditions:

a) The issuer shall appoint at least one Merchant Banker.
Provided that the role, responsibilities and obligations of the Merchant Banker(s) shall be same as they would be in case of public issue of debt security or non-convertible redeemable preference share.

b) Such debt security or non-convertible redeemable preference share shall be interest/ dividend bearing security paying coupon/ dividend at regular intervals with a fixed maturity without any structured obligations.

(ii) The following credit enhancements shall be permitted in the aforesaid securities:

a) Guaranteed bonds;
b) Partially guaranteed bonds;
c) Standby Letter of credit (SBLC) backed securities;
d) Debt backed by pledge of shares or other assets;
e) Guaranteed Pooled bond issuance (PBI), not through a trust;
f) Obligor/ Co-obligor structures or cross default guarantee structures; and
g) Debt backed by Payment Waterfall /Escrow, or DSRA etc., but with Full Guarantee or DSRA Replenishment Guarantee from a third party

(iii) In respect of the credit enhancements specified above, Credit Rating Agencies (CRAs) shall verify the documentation related to the specified support considerations to ensure the following:

a) The support is unconditional, irrevocable, and legally enforceable till all the obligations of the security has been paid to the investors.

b) The support provider has a lower probability of default on a continuous basis, compared with the issuer, till the time such instruments are outstanding.

(iv) With respect to a shelf placement memorandum or General Information Document (GID) which is valid as on the 'effective date of the circular', the issuer may raise funds through tranche placement memorandum or Key Information Document at a face value at Rs. Ten Thousand provided at least one Merchant Banker is appointed to carry out due diligence in respect of such issuances. Necessary addendum shall be issued by such issuer to the shelf placement memorandum or General Information Document, as applicable.

3.3. Clause 2.1 of Chapter V of the Master Circular will stand deleted. The same is re-produced below:

"*The face value of a listed debt security or non-convertible redeemable preference share issued on private placement basis traded on a stock exchange or OTC basis shall be Rs. One lakh.*"

3.4. Clause 2.2 of Chapter V of the Master Circular will stand deleted. The same is re-produced below:

"*The face value of a listed security mentioned under Chapter V of SEBI NCS Regulations, 2021 and Chapter 13 of this operational circular traded on a stock exchange or OTC basis shall be Rs. One crore*."

3.5. Clause 2.3 of Chapter V of the Master Circular shall be modified as under:

"Trading lot of listed debt security issued on private placement basis, non-convertible redeemable preference share issued on private placement basis, listed security mentioned under Chapter V of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 and Chapter XIII of the Master circular dated May 22, 2024, traded on a Stock Exchange or OTC basis shall always be equal to face value."

4. The provisions of this circular shall be applicable to all issues of debt securities and non-convertible redeemable preference shares, on private placement basis that are proposed to be listed from the date of issuance of this circular.

5. The Circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 55 (1) of the SEBI (Issue and Listing of Non-convertible Securities) Regulations, 2021 to protect the interest of investors in securities and to promote the development of, and to regulate the securities market.

6. This Circular is available at www.sebi.gov.in under the link “Legal → Circulars”.

Yours faithfully,

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