भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

CIR/IMD/DF-1/ 67 /2017 **June 30, 2017**

To
All Issuers
All Recognized Stock Exchanges
All Depositories

Dear Sir / Madam,

Sub.: Specifications related to International Securities Identification Number (ISINs) for debt securities issued under the SEBI (Issue and Listing of Debt Securities) Regulations, 2008.

1. A liquid corporate bond market helps in better price discovery of debt securities. Towards this, the working group, on "Development of corporate bond market in India", under the chairmanship of Shri. H R Khan in its report, inter-alia, recommended *that the issuers coming out with frequent debt issues with the same tenor during a quarter may club them under the same umbrella ISIN which in turn would increase the float in the market, thus enhancing its liquidity.*

2. Accordingly, in respect of private placement of debt securities, it has been decided to specify the following:

2.1. International Securities Identification Number (ISINs):

2.1.1. A maximum number of 17 International Securities Identification Numbers (ISINs) maturing in any financial year shall be allowed. Additionally 12 ISINs shall also be available for the issuance of the capital gains tax debt securities by the authorized issuers under section 54EC of the Income Tax Act 1961 on private placement basis.

2.1.2. ***Out of 17 ISINs maturing in a financial year, the bifurcation of ISINs shall be as under:***

2.1.2.1. A maximum of 12 ISINs maturing per financial year shall be allowed only for plain vanilla debt securities. Further, within these 12 ISINs, the issuer can issue both secured and unsecured debt securities

2.1.2.2. A maximum of 5 ISINs (i.e. for structured debt securities such as debt securities with call and/or put option, etc.) maturing per financial year shall be allowed only for structured products/market linked debt securities issued under the SEBI circular Cir/IMD/DF/17/2011 dated September 28, 2011, relating to issue and listing of structured/market linked debt securities.

2.1.3. An issuer issuing only structured/market linked debt securities, may utilise the entire bucket of 12 ISINs in a financial year only for structured/market linked debt securities. However, in such a scenario, the additional 5 ISINs as mentioned in paragraph 2.1.2.2 above shall not be available to an issuer for utilization, either for structured debt securities or for plain vanilla debt securities.

2.1.4. In case of structured /market linked debt securities which have embedded options viz. call and/or put option, the maturity of ISINs shall be reckoned on basis of original maturity date of debt securities.

For e.g. if a structured debt securities having maturity of 5 years , which is callable after 3 years and thereafter every year until its redemption, then the debt securities shall be grouped in the bucket of 5 years maturity period which is its original maturity period even though it may be callable after a period of 3 years.

2.1.5. The provisions of this circular shall be applicable for debt securities issued in the financial year (FY) 2017-18 i.e. after the date of this circular and shall not be applicable to the ISINs maturing in respect of the debt securities issued prior to the FY 2017-18. However, post FY 2017-18, whatever issuances are made by the issuer, the issues shall be grouped and consolidated under the ISIN maturing in the same FY.

2.2. <u>Exemptions from applicability of ISINs:</u>

The following classes of debt securities issued for raising regulatory capital are exempted from the applicability of provisions of this circular:

2.2.1. Tier II bonds issued by Housing Finance Companies (HFCs), the maturity period of which is not less than five years issued as per "Master Circular-The Housing Finance Companies (NHB) Directions, 2010" dated July 01, 2016;

2.2.2. Tier II bonds issued by the standalone Primary dealers, with minimum maturity of five years issued as per "Standalone primary Dealers (Reserve Bank) Directions, 2016" dated August 25, 2016;

2.2.3. Subordinated debt issued by insurance companies, which is either perpetual or the maturity period of which is not less than ten years for life, general and reinsurance companies and seven years for health insurance companies issued as per the "IRDAI (Other forms of Capital) Regulations, 2015" dated November 13, 2015;

2.2.4. Additional Tier 1 bonds, which are perpetual, issued by banks under Basel III norms and Tier II bonds, having minimum maturity period of five years, issued by banks under the Basel III norms as per the "Master Circular- Basel III Capital Regulations" dated July 01, 2015.

2.2.5. Bonds issued by banks to raise resources for lending to long term infrastructure sub-sectors and affordable housing, which have a minimum maturity of seven years issued as per RBI circular dated July 15, 2014 on "Issue of Long Term bonds by banks-Financing of infrastructure and affordable housing".

2.2.6. Perpetual debt instrument issued by Systemically Important Non-Deposit taking Non-Banking Financial Companies issued as per RBI circular dated October 29, 2008 on "Enhancement of NBFCs' capital raising option for capital adequacy purposes";

2.2.7. Tier II bonds issued by Non-Systemically Important Non-Deposit taking Non-Banking Financial Company issued as per RBI "Master Direction-Non-Banking Financial Company-Non-Systemically important Non-deposit taking Company (Reserve Bank) Directions, 2016" dated September 01, 2016.

2.3. Mechanism for honouring debt obligations arising out of capping of ISINs :

2.3.1. An issuer may honour its debt obligations/liabilities, arising out of such ISIN restriction, in the manner as deemed feasible to them i.e. the issuer can make staggered repayments or bullet maturity re-payments or in any other manner deemed so.

2.3.2. An issuer may offer different type of payment options to different category of investors subject to such disclosures being made in the information memorandum in order to manage their asset liability mismatch.

For e.g. an insurance company may be offered staggered redemption, however mutual fund may be offered bullet payment.

2.3.3. Also, in case of any modification in terms or structure of the issue viz. change in terms of payment, change in interest pay-out frequency etc. the issuer may make such modification by following procedure as has been laid out in Regulation 59 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

2.3.4. **Record Date**: There may be cases where multiple record dates would arise on account of staggered payment or other cases viz. frequency of payment etc. In such a case, when announcing multiple record dates, the issuer has to disclose clearly to the stock exchanges the basis of payment to the investors viz. pro-rata, first cum basis etc.

2.4. <u>Time limit for carrying out necessary changes to the Articles of Association (AOA)/charter/constitution of the issuer:</u>

In order to comply with the provisions of clause (a) of Regulation 20A of the SEBI (ILDS) regulations, the issuer shall have a time period of six months from the date of this circular to make an enabling provision in its Articles of Association to carry out consolidation and re-issuance of debt securities.

3. **<u>Reporting and Monitoring:</u>**

3.1. <u>Issuers:</u>

3.1.1. All the issuers who have made private placement of debt securities under the SEBI (Issue and Listing of Debt Securities) Regulations, 2008, shall within fifteen working days of issue of this circular submit a statement containing data in the format as prescribed below:

Name of the issuer	***ISIN number***	***Issuance date***	***Maturity date***	***Coupon rate***	***Payment frequency***	***Embedded option if any***	***Amount issued***	***Amount outstanding***

3.1.2. Also, an issuer shall within fifteen working days from the end of every half year, submit a statement, to the recognized stock exchange, where its debt securities are listed, as well as to the depository containing data in the format as prescribed above.

3.1.3. In case there is any modification in terms or structure of the issue viz. change in terms of payment, change in interest pay-out frequency etc.as specified in paragraph 2.3.3. above, the issuer shall, forthwith, inform the same to the depository.

3.1.4. An issuer shall within thirty working days from end of six months from the date of this circular submit a confirmation certificate to Stock Exchanges with respect to compliance with para 2.4 above.

3.2. <u>Recognized stock exchanges and depositories :</u>

3.2.1. Upon receipt of the report as specified in paragraph 3.1.2 and 3.13 above, the recognized stock exchange (RSE) shall upload the same on its website as well as the Integrated trade Repository for corporate bonds.

3.2.2. Upon receipt of the report as specified in paragraph 3.1.2 and 3.13 above, the depository shall upload the same on the centralized database for corporate bonds/debentures as per SEBI circular CIR/IMD/DF/17/2013 dated October 22, 2013 as well as the Integrated trade Repository for corporate bonds.

3.2.3. The RSE shall within five working days of the expiry of the period as specified in paragraph 3.1.2 above, send the reports received by it to the depositories for the purposes of their reconciliation.

3.2.4. The depositories shall thereafter within five working days of receipt of reports from the recognised stock exchanges, send a status report to the latter regarding utilization of ISINs by the issuers.

3.2.5. The recognized stock exchanges shall within thirty working days from the end of every half year, shall submit a report to SEBI, in case there has been any violation by the issuers of any provisions of this circular.

4. The provisions of this circular shall be applicable with immediate effect for the debt securities issued in accordance with SEBI (Issue and Listing of Debt Securities) Regulations, 2008.

5. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

6. This Circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework".

Yours faithfully,

Richa G. Agarwal
Deputy General Manager
Investment Management Department
richag@sebi.gov.in