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TOPICS

» SEBI simplifies the Listing Agreement for Debt Securities

Securities and Exchange Board of India (SEBI) vide Circular No. SEBI/IMD/BOND/1/2009/11/05 dated May 11, 2009 has put in place a simplified Listing Agreement for debt securities. The Agreement has been prepared in consultation with the Bombay Stock Exchange and National Stock Exchange of India Ltd., based on the following principles:

1) Where the equity of an issuer is listed, and such an issuer seeks listing of debt securities (whether by way of a public issue or a private placement), minimal incremental disclosures would be sufficient, since large amount of information is already in public domain and material developments are disclosed under the equity Listing Agreement on a nearly continuous basis.
2) Where the equity of an issuer is not listed, and such an issuer seeks listing of debt securities (whether issued by way of a public issue or a private placement), detailed disclosures, fewer than those made under the equity Listing Agreement, would need to be made.

The Listing Agreement for debt securities shall come into force with immediate effect for all ☐debt securities☐, as defined under regulation 2(1)(e) of the SEBI (Issue and Listing of Debt Securities) Regulations, 2008, seeking listing on the Stock Exchange. Debt securities include corporate bonds, government bonds, certificate of deposits, municipal bonds and other non-convertible debt instruments.

Maintenance of 100% security cover: It has been made mandatory for the Issuer to create and maintain security ensuring 100% security cover for listed secured debt securities at all times and ensure that the charges on the assets are registered.

Other key provisions are set out as under:
☐ The Issuer of debt instruments will have to inform the exchange about the credit rating, asset cover available, debt-equity ratio etc. in a half-yearly communication.
☐ The Issuer shall notify the Exchange regarding expected default in timely payment of interests or redemption or repayment amount or both in respect of the debt securities as soon as the same becomes apparent.
☐ Securities must be allotted to the public within 30 days of the closure of the issue.

☐ In case the allotment is not made or refund orders have not been dispatched within 30 days of the closure of the issue, the Issuer will have to pay an interest of 15 per cent per annum.

In case of any clarifications please contact our Knowledge Management Team.

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