

**SEBI UPDATES**

**1. Extension of timeline for entering the details of the existing outstanding non-convertible securities in the “Security and Covenant Monitoring system hosted by Depositories**

On **October 03, 2022**, SEBI issued a **Circular No. SEBI/HO/DDHS/RACPOD1/CIR/P/2022/136**, extended the timeline for the issuer of non-convertible securities for entering the details of the existing outstanding non-convertible securities in the ‘Security and Covenant Monitoring’ system using Distributed Ledger System hosted by depositories till October 31, 2022.

SEBI vide Circular No SEBI/HO/MIRSD/MIRSD\_CRADT/CIR/P/2021/618 dated August 13, 2021, after the recommendation of the Working Group Comprising of officials from SEBI, Depositories and Stock Exchange and Trustees Association had stated that a platform for ‘Security and Covenant Monitoring System’ (‘system’) hosted by Depositories shall be developed. This platform shall be used for recording and monitoring the security created and monitoring of covenants of non-convertible securities.

SEBI through a Circular dated August 13, 2021, also issued specified the manner of recording of charges by Issuers and the manner of monitoring and other responsibilities of Debenture Trustees (DTs), Credit Rating Agencies, etc. for ‘Security and Covenant Monitoring’ using Distributed Ledger Technology (DLT). Operational Guidelines of Distributed Ledger Technology (DLT) including roles and responsibilities of the various stakeholders involved were issued through SEBI vide Circular SEBI/HO/MIRSD/CRADT/CIR/P/2022/38 dated March 29, 2022.

SEBI extended the timeline for one month for issuers after receiving representations from depositories that issuers have requested for extension in the timeline of entering the legacy data. Hence issuer shall enter the details into the DLT system on or before October 31, 2022 and the same shall be verified by Debenture Trustees by December 31, 2022.

The link for the aforesaid Circular is as follows:

[https://www.sebi.gov.in/legal/circulars/oct-2022/extension-of-timeline-for-entering-the-details-of-the-existing-outstanding-non-convertible-securities-in-the-security-and-covenant-monitoring-system-hosted-by-depositories\\_63648.html](https://www.sebi.gov.in/legal/circulars/oct-2022/extension-of-timeline-for-entering-the-details-of-the-existing-outstanding-non-convertible-securities-in-the-security-and-covenant-monitoring-system-hosted-by-depositories_63648.html)

**2. SEBI cautions the public against unauthorized money mobilization by entities claiming to provide Portfolio Management Services (PMS)**

On **October 06, 2022**, SEBI vide **Press Release No. 30/2022** cautioned the investor against unauthorized money mobilization by entities claiming to provide Portfolio Management Services. It was observed that some entities were luring the public with the promise of high return through pamphlets and social media platforms. These entities have names similar to SEBI-registered intermediaries, misleading the public that the fundraising is genuine and done by SEBI-registered entities.

SEBI also stated that intermediaries who have been registered with it including portfolio managers (who manage PMS) cannot offer products with assured or fixed return on investment.

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: [www.amitadesai.com](http://www.amitadesai.com) Email: [info@amitadesai.com](mailto:info@amitadesai.com)

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According to the SEBI (Portfolio Managers) Regulations, 2020, a portfolio manager shall be a body corporate, registered with SEBI and shall have a contract or agreement with a client to undertake management or administration of a portfolio of securities or funds of the client. Also, a Portfolio Manager cannot accept funds or securities worth less than Rs. 50 Lakhs from the client and cannot promise any guaranteed or assured return, either directly or indirectly.

Link for the aforesaid Circular is as follows:

[https://www.sebi.gov.in/media/press-releases/oct-2022/sebi-cautions-public-against-unauthorized-money-mobilization-by-entities-claiming-to-provide-portfolio-management-services\\_63631.html](https://www.sebi.gov.in/media/press-releases/oct-2022/sebi-cautions-public-against-unauthorized-money-mobilization-by-entities-claiming-to-provide-portfolio-management-services_63631.html)

### **3. Execution of 'Demat Debit and Pledge Instruction' (DDPI) for transfer of securities towards deliveries / settlement obligations and pledging / re-pledging of securities – Clarification**

On April 04, 2022 SEBI had vide circular no. SEBI/HO/MIRSD/DoP/P/CIR/2022/44, issued guidelines regarding execution of 'Demat Debit and Pledge Instruction' (DDPI) for transfer of securities towards deliveries/ settlement obligations and pledging / re-pledging of securities. This circular shall be applicable from November 18, 2022.

In view of the representations by and consultations with Broker Associations and Depositories, SEBI had vide Circular No. **SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/137** on **October 06, 2022**, decided to widen the scope of DDPI to include:

1. Mutual Fund transactions being executed on Stock Exchange order entry platforms; and
2. Tendering shares in open offers through Stock Exchange platforms.

The DDPI shall serve the same purpose of Power of Attorney (PoA) and significantly mitigate the misuse of PoA. The use of DDPI shall be limited only for the purposes a mentioned in the Circular.

Link for the aforesaid Circular is as follows:

[https://www.sebi.gov.in/legal/circulars/oct-2022/execution-of-demat-debit-and-pledge-instruction-ddpi-for-transfer-of-securities-towards-deliveries-settlement-obligations-and-pledging-re-pledging-of-securities-clarification\\_63724.html](https://www.sebi.gov.in/legal/circulars/oct-2022/execution-of-demat-debit-and-pledge-instruction-ddpi-for-transfer-of-securities-towards-deliveries-settlement-obligations-and-pledging-re-pledging-of-securities-clarification_63724.html)

### **4. Review of provisions pertaining to the Electronic Book Provider platform**

SEBI on **August 10, 2021**, issued an **Operational Circular No. SEBI/HO/DDHS/P/CIR/2021/613**, which prescribed provisions pertaining to the Electronic Book Provider (EBP) platform and stipulated issuances that have to necessarily be made through EBP, the eligible participants, obligations/ responsibilities of various entities, provision to the issuer to withdraw offers, the process of bidding and allotment, etc.

SEBI has received representations from various market participants, requesting for review of the provisions pertaining to the EBP platform, in order to address the issues of:

- i. 'Fastest finger first' (viz. allotment based on time priority in bidding for issuances with fixed parameters);
- ii. Certain bidders not getting allocations despite having worked on the issuance pre-listing;
- iii. High ratio of the green shoe to base issue size;

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

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Website: [www.amitadesai.com](http://www.amitadesai.com) Email: [info@amitadesai.com](mailto:info@amitadesai.com)

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- iv. Limits on arrangers placing bids on behalf of clients, etc.

The above-mentioned issues were discussed with market participants including issuers, arrangers, investors (e.g. banks, mutual funds), stock exchanges, depositories, and also at the Corporate Bonds and Securitization Advisory Committee (CoBoSAC) meetings.

It was observed that in order to address the concern of 'fastest finger first', it is essential to modify the **book building process** to ensure allocations based on the 'best bid' rather than the bidder with the best technology for placing the fastest bid.

Further, certain issuers have expressed the need for introduction of the concept of '**anchor investor**' as an option, in order to enable them to assess the demand and receive assurance from certain prospective investors towards subscription.

Also, other stipulations of the existing EBP framework like threshold limits for applicability, Bidding limits for arrangers, Penalty in case of default etc., have been modified after consultation.

Accordingly, SEBI vide **Circular No. SEBI/HO/DDHS/DDHS\_Div1/P/CIR/2022/00139 ("the Circular")** dated **October 10, 2022**, replaced the extant Chapter VI (EBP platform) of the above-mentioned Operational circular with a revised Chapter as enclosed in Annex – A to the Circular.

The revised Chapter VI provides for the following:

- a. Eligible participants (i.e. bidders) on the EBP platform;
- b. Types of issue of securities to be made through EBP Platform;
- c. Obligations of the Issuers;
- d. Obligations of Participants;
- e. Bidding, allotment and settlement process;
- f. Conditions for the Issuer to avail the option of 'Anchor Portion' within the base issue size;
- g. Pay-in Obligations towards the allotment of securities;
- h. Withdrawal of Offer by an Issuer;
- i. Responsibilities of various entities involved in the process;
- j. Obligations and duties of EBP;
- k. CISA Audit of EBP Platform;
- l. Directions to Electronic Book Providers to comply with the Circular;

The provisions of the Circular shall come into effect from January 1, 2023.

Link for the aforesaid Circular is as follows:

[https://www.sebi.gov.in/legal/circulars/oct-2022/review-of-provisions-pertaining-to-electronic-book-provider-platform-replacement-of-chapter-vi-to-operational-circular-dated-august-10-2021\\_63807.html](https://www.sebi.gov.in/legal/circulars/oct-2022/review-of-provisions-pertaining-to-electronic-book-provider-platform-replacement-of-chapter-vi-to-operational-circular-dated-august-10-2021_63807.html)

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## **Amita Desai & Co. Company Secretaries, Mumbai**

### **5. Standard Operating Procedure for Inter-operable Regulatory Sandbox (IoRS)**

On **October 12, 2022**, SEBI vide Press Release No. **32/2022** issued Standard Operating Procedure for Inter-operable Regulatory Sandbox (IoRS).

An Inter-Regulatory Technical Group on FinTech (IRTG on FinTech) had been constituted under the aegis of the Financial Stability and Development Council- Sub Committee (FSDC-SC). The terms of reference (ToR) of IRTG on FinTech include discussion on issues relating to hybrid product/ service falling under the regulatory ambit of different financial sector regulators for admission in Regulatory Sandbox (RS) and framing of Standard Operating Procedure (SOP) for Inter-operable Regulatory Sandbox (IoRS) for hybrid products/services. The group, in addition to the members from Financial Sector Regulators, has representation from Department of Economic Affairs (DEA), Ministry of Finance and Ministry of Electronics and Information Technology (MeitY), Government of India.

In order to facilitate testing of innovative products/services falling within the regulatory ambit of more than one financial sector regulators viz. RBI, SEBI, IRDAI, IFSCA and PFRDA, a Standard Operating Procedure (SOP) for IoRS has been prepared by the Inter-Regulatory Technical Group on FinTech (IRTG on FinTech).

The entities meeting the minimum eligibility criteria for participating in the RS of the Principal Regulator (as defined in the SOP), may apply, along with requisite documents through email at [iors@rbi.org.in](mailto:iors@rbi.org.in) (maximum size 10 MB). Additional information and/ or documents, as and when required, will have to be furnished by the applicant. The Principal Regulator/ Associate Regulators shall reserve the right on admissibility of the hybrid product/ solution/ innovation as per their RS framework.

Link for the aforesaid Press Release is as follows:

<https://www.sebi.gov.in/media/press-releases/oct-2022/standard-operating-procedure-for-inter-operable-regulatory-sandbox-iors-63948.html>

### **6. Governing Council for Social Stock Exchange ("SSE")**

On **October 13, 2022**, SEBI vide Circular No. **SEBI/HO/MRD/MRD-RAC-2/P/CIR/2022/141** stated the Governing Council for Social Stock Exchange (SSE).

SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations") and SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations") were amended vide Gazette notification dated July 25, 2022, to provide a framework for SSE.

As per Regulation 292D of the ICDR Regulations, every SSE shall constitute a Social Stock Exchange Governing Council to have an oversight on its functioning, with composition and terms of reference as specified by the Board. Aspects related to the Social Stock Exchange Governing Council ("SGC") are specified below:

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

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## **Amita Desai & Co. Company Secretaries, Mumbai**

### **1. Composition of SGC**

- a. The SGC shall comprise of individuals with relevant expertise who can contribute to the development of SSE. It shall have a balanced representation, drawing from various categories of stakeholders such as:
  - i. Philanthropic and social sectors including public / private sector donors,
  - ii. Non-profit organizations,
  - iii. Information Repositories,
  - iv. Social Impact Investors,
  - v. Social Audit Profession/ self-regulatory organization for social auditors,
  - vi. Capacity Building Fund,
  - vii. Stock Exchange.
- b. SGC will have a minimum of 7 members having representation from each of the said categories (i to vii above)
- c. SGC shall be supported by administrative staff from the SSE.
- d. The Board of the Stock Exchange shall prescribe the procedure, frequency, quorum etc for the meetings of SGC as well as guidelines for handling potential conflict of interest, if any.
- e. SGC shall meet as frequently as required with minimum of 4 meetings in a financial year.

### **2. Terms of Reference**

The SGC is expected to provide oversight and guidance to facilitate the smooth functioning of the operations of the Social Stock Exchange, with regard to registration, fund raising and disclosures by Social Enterprises. Accordingly, the terms of reference of the SGC shall include the following:

- a. Provide expertise towards development of the SSE including growth of registration/ listing of social enterprises and number of investors.
- b. Oversee the listing function of SSE and provide guidance in laying down procedures for on-boarding and listing of Social Enterprises.
- c. Facilitate effective oversight on the adequacy of disclosures made by Social Enterprises and guide development of necessary systems and processes towards the same.
- d. Review the functioning of the SSE, including feedback received from stakeholders.
- e. Any other matter related to governance and development of SSE.

The Stock Exchange shall constitute a Governing Council for the Social Stock Exchange prior to seeking final approval from SEBI for introduction of Social Stock Exchange as a separate segment.

Link for the aforesaid Circular is as follows:

<https://www.sebi.gov.in/legal/circulars/oct-2022/governing-council-for-social-stock-exchange-sse-64000.html>

### **7. Suspension, Cancellation or Surrender of Certificate of Registration of a Credit Rating Agency ('CRA')**

On **October 13, 2022**, SEBI vide **Circular No.: SEBI/HO/DDHS/DDHS\_RACPOD2/P/CIR/2022/140** issued a circular on Suspension, Cancellation or Surrender of Certificate of Registration of a Credit Rating Agency ('CRA') to protect the interest of investors in securities and to promote the development of, and to regulate, the securities market.

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## **Amita Desai & Co. Company Secretaries, Mumbai**

SEBI Act, 1992 read with SEBI (Intermediaries Regulations), 2008 and SEBI (Credit Rating Agencies) Regulations, 1999 ("CRA Regulations"), inter alia provide for cancellation, suspension or surrender of Certificate of Registration of a Credit Rating Agency (CRA).

In order to facilitate orderly migration of credit ratings of listed or proposed to be listed, non-convertible securities, securitised debt instruments, security receipts, municipal debt securities or commercial paper, and other regulated products pursuant to cancellation, suspension, or surrender of certificate of registration of a CRA to another SEBI-registered CRA, the following are hereby prescribed, subject to the requirements of corresponding cancellation or suspension order(s) passed by SEBI ("the Order"), if any:

On and from the date of the Order, or the date of submission of request for surrender of certificate of registration ("the Request") to SEBI, as applicable, the concerned CRA shall:

- a. disclose prominently on its website, the Order or the Request, as the case may be, and communicate the same to its clients within 15 days of the Order or the Request;
- b. not take any new clients or fresh mandates;
- c. allow its clients to withdraw any assignment given to the CRA, without any additional cost to such clients;
- d. facilitate an orderly migration of assignments as desired by clients to other CRA(s) holding a certificate of registration under CRA Regulations;
- e. continue to comply with the provisions of the CRA Regulations and circulars thereunder, till the time the CRA holds the certificate of registration;
- f. continue to co-operate with SEBI with regard to sharing of information when requested and payment of fees as required under CRA Regulations;
- g. take such other action including providing any records or documents within the time period and in the manner. as may be required under the CRA regulations or as may be directed by SEBI.

The CRA, on and from the date of acceptance of the Request, or when it is commencing the winding up process, shall:

- a. return the certificate of registration so cancelled to SEBI.
- b. not represent itself to be a holder of certificate for carrying out the activity for which such certificate had been granted;
- c. suspend undertaking activity for which such certificate had been granted;
- d. until it is wound up. continue to co-operate with SEBI on matters pertaining to the activities of the CRA undertaken by it till it held the certificate of registration under CRA Regulations;
- e. make provisions as regards liability incurred or assumed by it;
- f. until it is wound up, take such other action including providing any records or documents within the time period and in the manner, as may be required under the CRA regulations or as may be directed by SEBI.

In case of **suspension of the Certificate of Registration**, the CRA, during such period of suspension, shall:

- a. suspend undertaking activity for which such certificate of registration had been granted;
- b. continue to co-operate with SEBI on matters pertaining to the activities of the CRA undertaken by it under CRA Regulations;
- c. make provisions as regards liability incurred or assumed by it;

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- d. take such other action including providing any records or documents within the time period and in the manner, as may be required under the CRA regulations or as may be directed by SEBI.

In case of **cancellation of Certificate of Registration**, the credit ratings assigned by the CRA shall be valid till such time the client withdraws the assignment and/or migrates the assignment to other CRA as specified or the CRA is wound-up, whichever is earlier.

In case of **surrender of Certificate of Registration**, the credit ratings assigned by the CRA whose certificate of registration is being surrendered shall be valid till such time the client withdraws the assignment and/or migrates to another CRA or the date of acceptance of surrender by SEBI, whichever is earlier.

In case of **suspension of Certificate of Registration**, the credit ratings assigned by the CRA whose certificate of registration is suspended shall not be valid during the period of suspension.

Upon cancellation or surrender or suspension of certificate of registration of a CRA, the concerned CRA's services cannot be used by listed entities or issuers for compliance with requirements of various SEBI regulations which require credit ratings from a CRA registered with SEBI.

Listed entities or issuers who have obtained credit rating from a CRA whose registration is cancelled or suspended or surrendered, desirous of obtaining credit rating for regulatory purposes, shall obtain credit rating(s) from another SEBI registered CRA(s) holding a valid certificate of registration under CRA Regulations.

In case of cancellation or suspension or surrender of certificate of registration of a CRA, the credit rating assigned by such CRA shall be treated as withdrawn upon an issuer furnishing an undertaking that another rating is available for listed or proposed to be listed, non-convertible securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities or Commercial Paper or other regulated products, from other SEBI-registered CRA, together with confirmation from such other CRA on availability of such rating.

Link for the aforesaid Circular is as follows:

[https://www.sebi.gov.in/legal/circulars/oct-2022/suspension-cancellation-or-surrender-of-certificate-of-registration-of-a-credit-rating-agency\\_63998.html](https://www.sebi.gov.in/legal/circulars/oct-2022/suspension-cancellation-or-surrender-of-certificate-of-registration-of-a-credit-rating-agency_63998.html)

### **8. Request for Quote ('RFQ') platform for trade execution and settlement of trades in listed Non-convertible Securities, Securitised Debt Instruments, Municipal Debt Securities and Commercial Paper**

SEBI vide Circular No. CIR/MRD/DP/03/2013 dated January 2013, introduced framework for a dedicated debt segment, permitting the stock exchanges to offer electronic, screen-based trading providing for order matching, request for quote, negotiated trades, etc.

Further, in February 2020, pursuant to approvals from SEBI, both National Stock Exchange of India Limited and BSE Limited launched RFQ platforms, as an extension of their existing trade execution

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## **Amita Desai & Co. Company Secretaries, Mumbai**

and settlement platforms, to bring in transparency in “Over the Counter” deals which were negotiated bilaterally.

RFQ is an electronic platform to enable sophisticated, multi-lateral negotiations to take place on a centralized online trading platform with straight-through-processing of clearing and settlement to complete a trade.

### **Basic features of the RFQ platform are:**

- a. The RFQ platform is a system or interface for inviting and/ or giving quotes on an electronic platform.
- b. A participant who seeks quote(s) is termed as an Initiator and a participant who acts/ responds to the quote requests of the Initiator is termed as a Responder.
- c. A participant may request other participants for a quote for eligible securities.
- d. The Initiator has the option to place quote(s) by disclosing its name or anonymously.
- e. The quote can be placed to an identified counterparty (i.e. One to One'(OTO) mode) or to all the participants (i.e. 'One to Many' (OTM) mode).
- f. The platform provides the participants a range of options to seek a quote and to respond to a quote, while keeping an audit trail of all interactions i.e. quoted yield, mutually agreed price, deal terms etc.
- g. The quotes will be bilaterally negotiated between the counterparties, based on specified parameters. The acceptance of a quote by a participant will be considered as mutual agreement between the parties for the given deal.

### **The following securities are eligible for being traded on the RFQ platform:**

- a. Non-convertible securities;
- b. Securitised Debt Instruments;
- c. Municipal Debt Securities;
- d. Commercial Paper;
- e. Certificate of Deposit;
- f. Government Securities;
- g. State development Loans;
- h. Treasury Bills; and
- i. Any other instrument, as may be specified by Stock Exchanges in consultation with SEBI.

The RFQ platform was introduced as a 'participant-based model wherein all regulated entities, listed bodies corporate, institutional investors and all India financial institutions were eligible to register, access and transact. To enhance liquidity on the RFQ platforms of the stock exchange, SEBI has mandated registered Mutual Funds and Portfolio Management Services, to undertake a specified percentage of their total secondary market trades in Corporate Bonds through RFQ platform of stock exchanges. IRDAI has also prescribed similar stipulations for Insurers.

SEBI has been receiving representations from market participants to permit stock brokers registered under the debt segment of the Stock Exchange(s) to place/ seek bids on the RFQ platform on behalf of client(s), in addition to the existing option of placing bids in a proprietary capacity.

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Accordingly, SEBI after consultations and deliberations, on **October 19, 2022** vide **Circular No. SEBI/HO/DDHS/DDHS\_Div1/P/CIR/2022/142 ('the Circular')**, decided to allow stock brokers registered under the debt segment of the Stock Exchange(s) to place/ seek bids on the RFQ platform on behalf of client(s), in addition to the existing option of placing bids in a proprietary capacity.

Further, SEBI vide the Circular also directed the Stock Exchanges to:

- a. put in place the necessary infrastructure for access and use of the platform by the participants including stock brokers and issue necessary circular(s) covering the modalities for operational aspects;
- b. bring the provisions of this circular to the notice of SEBI registered Stock Brokers and disseminate the same on their websites; and
- c. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above directions in coordination with one another to achieve uniformity in approach and communicate to SEBI.

The Circular shall come into force with effect from January 1, 2023.

Link for the aforesaid Circular is as follows:

<https://www.sebi.gov.in/legal/circulars/oct-2022/request-for-quote-rfq-platform-for-trade-execution-and-settlement-of-trades-in-listed-non-convertible-securities-securitised-debt-instruments-municipal-debt-securities-and-commercial-paper-64215.html>

### **9. Request for Quote ('RFQ') platform for trade execution and settlement of trades in listed Non-convertible Securities, Securitized Debt Instruments, Municipal Debt Securities and Commercial Paper**

On **October 20, 2022**, SEBI vide Press Release No. **33/2022** allowed stock brokers registered under the debt segment of the Stock Exchange to place/ seek bids on the Request for Quote (RFQ) platform on behalf of client(s), in addition to the existing option of placing bids in a proprietary capacity. The new norm that will come into effect from January 1, 2023. This norm is expected to enhance the participation of public at large as well as deepen the secondary market of corporate bonds.

RFQ is an electronic platform which enables multilateral negotiations on a centralized online trading platform with straight through processing of clearing and settlement to complete trades. On February 2020, pursuant to approvals from SEBI, both NSE and BSE launched RFQ platforms, as an extension of their existing trade execution and settlement platforms, to bring in transparency in "Over the Counter" deals in corporate bonds, which were negotiated bilaterally.

RFQ platform provides participants a range of options to seek a quote and to respond to a quote, while keeping an audit trail of all interactions i.e. quoted yield, mutually agreed price, deal terms etc. The quotes are bilaterally negotiated between the counterparties. Presently, the RFQ platform runs as a 'participant-based' model wherein all regulated entities, listed corporate bodies, institutional investors and all India financial institutions are eligible to register, access and transact.

To enhance liquidity on the RFQ platforms of the stock exchanges, SEBI has mandated registered Mutual Funds and Portfolio Management Services, to undertake a specified percentage of their total

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secondary market trades in Corporate Bonds through RFQ platform of stock exchanges. IRDAI has also prescribed similar stipulations for Insurers.

SEBI had received representations from market participants to permit stock brokers to place bids on behalf of their clients to facilitate wider market participation in the corporate bond market. Hence, SEBI has decided to allow stock brokers to place bids on RFQ platform.

Link for the aforesaid Press Release is as follows:

[https://www.sebi.gov.in/media/press-releases/oct-2022/sebi-allows-brokers-to-place-bids-on-rfq-platform-secondary-market-in-corporate-bonds-to-get-a-boost\\_64272.html](https://www.sebi.gov.in/media/press-releases/oct-2022/sebi-allows-brokers-to-place-bids-on-rfq-platform-secondary-market-in-corporate-bonds-to-get-a-boost_64272.html)

### **10. Block Mechanism in demat account of clients undertaking sale transactions - Clarification**

SEBI on **July 16, 2021** vide **Circular No. CIR/HO/MIRSD/DOP/P/CIR/2022/595** introduced block mechanism in the demat account of clients undertaking sale transactions on optional basis, for ease in Early Pay-in mechanism.

Subsequently, vide **Circular No. SEBI/HO/MIRSD/DoP/P/CIR/2022/109** dated **August 18, 2022** SEBI amended the above-mentioned circular and made the facility of block mechanism mandatory for all Early Pay-In transactions.

On **October 27, 2022**, SEBI vide Circular No. **SEBI/HO/MIRSD/DoP/P/CIR/2022/143 ('the Circular')**, pursuant to representations received from Depositories and Custodians, clarified that the block mechanism shall not be applicable to clients having arrangements with custodians registered with SEBI for clearing and settlement of trades.

All other provisions in the SEBI circular dated August 18, 2022 and SEBI circular dated July 16, 2021 shall continue to remain applicable.

Depositories and Clearing Corporations shall put in place appropriate systems to ensure compliance of the provisions of this circular.

#### **Stock Exchanges and Depositories are directed to:**

- a. bring the provisions of this circular to the notice of their members / participants and also disseminate the same on their websites;
- b. make necessary amendments to the relevant Bye-laws, Rules and Regulations for the implementation of the above decision.
- c. communicate to SEBI, the status of the implementation of the provisions of this circular on November 15, 2022 and in their Monthly Development Reports.

Link for the Circular is as follows:

[https://www.sebi.gov.in/legal/circulars/oct-2022/block-mechanism-in-demat-account-of-clients-undertaking-sale-transactions-clarification\\_64384.html](https://www.sebi.gov.in/legal/circulars/oct-2022/block-mechanism-in-demat-account-of-clients-undertaking-sale-transactions-clarification_64384.html)

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: [www.amitadesai.com](http://www.amitadesai.com) Email: [info@amitadesai.com](mailto:info@amitadesai.com)

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### **11. Reduction in denomination for debt securities and non-convertible redeemable preference shares**

On **August 10, 2021**, SEBI vide **Circular No. SEBI/HO/DDHS/P/CIR/2021/613** issued an Operational Circular in which Chapter V prescribes provisions pertaining to denomination of issuance and trading of Non-convertible Securities. The said operational circular mandates that the face value of each debt security or non-convertible redeemable preference share issued on private placement basis shall be Rs. 10 lakh and the trading lot shall be equal to the face value.

Pursuant to representations received from various market participants such as issuers, non-institutional investors etc. requesting to review the said denominations and to reduce face value and trading lot, to encourage more investors and enhance the liquidity in corporate bond market.

SEBI on **October 28, 2022** vide **Circular No. SEBI/HO/DDHS/P/CIR/2022/00144** ('the Circular'), made following amendments in Chapter V of the operational circular:

- i. The face value of each debt security or non-convertible redeemable preference share issued on private placement basis shall be Rs. 1 lakh instead of Rs. 10 Lakhs;
- ii. The face value of the listed debt security and non-convertible redeemable preference share issued on private placement basis traded on a stock exchange or OTC basis shall be Rs. 1 lakh instead of Rs. 10 Lakhs.

The provisions of the circular shall be applicable to all issues of debt securities and non-convertible redeemable preference shares, on private placement basis, through new ISINs, on or after January 1, 2023.

With respect to shelf placement memorandum which is valid as on January 1, 2023, the issuer thereof shall have the option while raising funds through tranche placement memorandum, to keep the face value at Rs. 10 lakhs or Rs. 1 Lakh. Necessary addendum shall be issued by such issuer to the shelf placement memorandum.

Link for the Circular is as follows:

[https://www.sebi.gov.in/legal/circulars/oct-2022/reduction-in-denomination-for-debt-securities-and-non-convertible-redeemable-preference-shares\\_64429.html](https://www.sebi.gov.in/legal/circulars/oct-2022/reduction-in-denomination-for-debt-securities-and-non-convertible-redeemable-preference-shares_64429.html)

### **12. Addendum to SEBI Circular on Development of Passive Funds**

On May 23, 2022, SEBI vide Circular No. SEBI/HO/IMD/DOF2/P/CIR/2022/69 stated the development of passive funds covering the issues related to Exchange Traded Funds (ETFs) and Index Funds.

**Clause 2(IV)(A)** of the aforesaid circular prescribed that in order to enhance liquidity in units of ETFs on stock exchange platform direct transaction with AMCs shall be facilitated for investors only for transactions above a specified threshold. In this regard, to begin with any order placed for redemption or subscription directly with the AMC must be of greater than **INR 25 Cr**. The aforesaid threshold shall not be applicable for Market Makers and shall be periodically reviewed.

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

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Website: [www.amitadesai.com](http://www.amitadesai.com) Email: [info@amitadesai.com](mailto:info@amitadesai.com)

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On **July 28, 2022**, SEBI had vide Circular No. **SEBI/HO/IMD/DF2/CIR/P/2022/102**, decided that the above clause shall be applicable from **November 01, 2022** due to the feedback received from Stakeholders.

Subsequently, based on further feedback received from stakeholders, SEBI on **October 28, 2022**, vide Circular No. **SEBI/HO/IMD/DOF2/P/CIR/2022/145**, decided that the above clause shall be applicable from **May 01, 2023**.

Link for the Circular is as follows:

[https://www.sebi.gov.in/legal/circulars/oct-2022/addendum-to-sebi-circular-on-development-of-passive-funds\\_64432.html](https://www.sebi.gov.in/legal/circulars/oct-2022/addendum-to-sebi-circular-on-development-of-passive-funds_64432.html)

### **13. Standardisation of Rating Scales Used by Credit Rating Agencies (CRAs)**

On October 31, 2022, SEBI vide Circular No. **SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2022/146** notified the guidelines with regard to rating scales used by Credit Rating Agencies (CRA). The circular shall be applicable with effect from January 1, 2023, and CRAs shall report on their compliance with the same (as ratified by their respective board of directors) to SEBI within one quarter from the specified date of applicability.

On **June 15, 2011**, SEBI had vide circular **CIR/MIRSD/4/2011** devised certain standardised rating symbols and their definitions used by the Credit Rating Agencies (CRAs). Further, on **June 13, 2019** SEBI had vide circular **SEBI/HO/MIRSD/DOS3/CIR/P/2019/70** standardised symbols and definitions for ratings of instruments having explicit credit enhancement feature.

In supersession of Section B of SEBI circular **HO/MIRSD/MIRSD\_CRADT/P/CIR/2021/594** dated **July 16, 2021**, the following guidelines are prescribed with regard to standardisation of rating scales used by CRAs:

- a. CRAs, in terms of Regulation 9(f) of SEBI (Credit Rating Agencies) Regulations, 1999 ("CRA Regulations"), undertake ratings of various financial instruments under the guidelines of different financial sector regulators or authorities.
- b. In order to standardise the usage of rating scales, CRAs are advised to align their rating scales with the rating scales prescribed under the guidelines of respective financial sector regulator or authority in terms of Regulation 9(f) of CRA Regulations.

Further, in view of discussions with stakeholders, including CRAs, the following guidelines are issued with regard to rating scales used by CRAs:

- I. Issuer Rating/ Corporate Credit Rating:
  - a. Issuer Rating/ Corporate Credit Rating indicates the degree of safety of the issuer or the rated entity with regard to timely servicing of all its debt obligations.
  - b. Pursuant to the consultation with the CRAs, standardised symbols and their definitions have been devised for Issuer Rating/ Corporate Credit Rating. The new symbols and definitions as given in Annexure shall henceforth be used for the new ratings/ reviews by the CRAs for Issuer Rating/ Corporate Credit Rating.
- II. Standard descriptors for Rating Watch & Rating Outlook:

Off: 1005, Hubtown Solaris, Prof N. S. Phadke Marg, Andheri East, Mumbai – 400 069

Tel: 91 22 26845919/20/21 Cell: 09820177691

Website: [www.amitadesai.com](http://www.amitadesai.com) Email: [info@amitadesai.com](mailto:info@amitadesai.com)

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- a. A 'rating outlook' indicates CRA's view on the expected direction of the rating movement in the near to medium term, whereas a 'rating watch' indicates a CRA's view on the expected direction of the rating movement in the short term.
- b. SEBI vide circular No. SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dated November 1, 2016 mandated the CRAs to frame detailed guidelines on policy for placing ratings on credit watch. The circular also mandates each CRA to assign a rating outlook and disclose the same in the press release.
- c. In furtherance to the above guidelines, and in consultation with CRAs, the following standard descriptors shall be specified for "Rating Watch" and "Rating Outlook".
- d. Standard descriptors to be used for when an issuer /security is placed on "Rating Watch"
  - "Rating Watch with Positive Implications"
  - "Rating Watch with Developing Implications"
  - "Rating Watch with Negative Implications"
- e. Standard descriptors to be used for when an issuer /security is placed on "Rating Outlook":
  - Stable
  - Positive
  - Negative

### III. Ratings of Capital Protection Oriented Schemes:

Pursuant to the consultation with stakeholders, and in line with the industry practice, it is reiterated that for ratings of Capital Protection Oriented Schemes, as required under Regulation 38A of SEBI (Mutual Fund) Regulations, 1996, CRAs shall use rating scales (i.e. symbols and their definitions) for 'structured finance (SO)' instruments as prescribed vide SEBI circular CIR/MIRSD/4/2011 dated June 15, 2011.

Monitoring of this circular shall be done in terms of the half-yearly internal audit for CRAs, mandated under Regulation 22 of the SEBI (Credit Rating Agencies) Regulations, 1999 and Circular SEBI/MIRSD/CRA/Cir-01/2010 dated January 06, 2010 issued thereunder.

Link for the Circular is as follows:

<https://www.sebi.gov.in/legal/circulars/oct-2022/standardisation-of-rating-scales-used-by-credit-rating-agencies-cras-64506.html>

### **14. Review of provisions pertaining to specifications related to International Securities Identification Number (ISIN) for debt securities issued on private placement basis**

The Securities and Exchange Board of India on 31st October 2022, has decided to further cap the number of ISINs maturing in a financial year for debt securities issued on private placement basis by modifying chapter VII of Operational Circular for issue and listing of Non-Convertible Securities (NCS), Securitised Debt Instruments (SDI), Security Receipts (SR), Municipal Debt Securities and Commercial Paper.

Through this amendment under the operational circular with respect to private placement of debt securities, the following shall be complied with regard to ISINs:

1. A maximum number of 14 ISINs maturing in any financial year shall be allowed for an issuer of debt securities. In addition, a further 6 ISINs shall also be available for the issuance of the capital

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gains tax debt securities by the authorized issuers under section 54EC of the Income Tax Act, 1961 on private placement basis.

2. Out of the 14 ISINs maturing in a financial year, the bifurcation of ISINs shall be as under:
  - a. A maximum of 9 ISINs maturing per financial year shall be allowed for plain vanilla debt securities. Within this limit of 9 ISINs, the issuer can issue both secured and unsecured debt securities.  
Provided where the total outstanding amount across the 9 ISINs, maturing in a given financial year, reaches Rs. 15,000 crores, then 3 additional ISINs would be permitted to mature in the same financial year. The same should be intimated by the issuer to the stock exchanges and depositories.
  - b. maximum of 5 ISINs maturing per financial year shall be allowed for structured debt securities and market linked debt securities.
3. Where an issuer issues only structured/ market linked debt securities, the maximum number of ISINs allowed to mature in a financial year shall be 9.

The provisions of this circular shall be applicable to ISINs utilised to issue debt securities from April 1, 2023. The newly capped limits shall not be applicable to ISINs utilised for issuance of debt securities up to March 31, 2023 and maturing in later years.

Further, with respect to the debt securities issued on or after April 01, 2023, all the ISINs corresponding to these issues (including ISINs issued prior to April 01, 2023), maturing in any financial year, shall adhere to the limit specified in this circular.

Link for the Circular is as follows:

<https://www.sebi.gov.in/legal/circulars/oct-2022/review-of-provisions-pertaining-to-specifications-related-to-international-securities-identification-number-isin-for-debt-securities-issued-on-private-placement-basis-modification-to-chapter-viii-64522.html>

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