

## ERGO

*Analysing developments impacting business*

### DENOMINATION FOR LISTED DEBT SECURITIES REDUCED

4 November 2022

In order to encourage investments by non-institutional investors in the corporate bond market, Securities and Exchange Board of India (SEBI) vide its circular no. SEBI/HO/DDHS/P/CIR/2022/00144, dated 28 October 2022, for Reduction in denomination for debt-securities and non-convertible redeemable preference shares (Circular), has amended the operational circular dated 10 August 2021 for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper (Operational Circular) to reduce the restriction on minimum face value of listed non-convertible debt securities and redeemable preference shares to be issued on private placement basis from INR 10 lakhs to INR 1 lakh.

With respect to the applicability of the Circular, SEBI has clarified that the provisions of the Circular shall be applicable to all listed debt issuances on or after 1 January 2023. With respect to shelf placement memorandums which are valid as on 1 January 2023, the Circular has clarified that the issuer will be given an option while raising funds through tranche placement memorandum, to keep the face value at INR 10 lakh or INR 1 Lakh, provided that a necessary addendum to the shelf placement memorandum has been issued by the issuer.

#### **Comment**

This move by the regulator has been pursuant to the receipt of representations from various market participants, including issuers, requesting for review of the said denominations. Further, the high-ticket size was considered to be a deterrent for the non-institutional investors which restricts their ability to access the market for corporate bonds. Accordingly, the lower denomination with the intent of facilitating more investors to participate and in turn enhancing the liquidity in the corporate bond market is a positive move to increase participation of non-institutional investors.

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