

ERGO

Analysing developments impacting business

SEBI REDUCES THE CAP ON INTERNATIONAL SECURITIES IDENTIFICATION NUMBERS (ISINS) FOR LISTED DEBT SECURITIES

11 November 2022

Facts and Background

Securities and Exchange Board of India (SEBI) vide its circular bearing reference no. SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/147 dated 31 October 2022 (the Circular) amended Chapter VIII (Specifications related to ISIN for debt securities) of the Operational Circular dated 10 August 2021 (Operational Circular). International Securities Identification Numbers (ISINs) , are unique codes with 12 characters, which are used for uniquely identifying securities like stocks, bonds warrants and commercial papers.

Prior to this change, the current position was that under Chapter VIII of the Operational Circular, a maximum number of 17 (seventeen) ISINs maturing in any financial year (FY) were allowed for an issuer of listed debt securities. Additionally, 12 (twelve) ISINs were available for the issuance of the capital gains tax (listed) debt securities by the authorized issuers under section 54EC of the Income-tax Act, 1961 on private placement basis. Out of the 17 (seventeen) ISINs maturing in a FY, the bifurcation of ISINs was as below:

- A maximum of 12 (twelve) ISINs maturing per FY for plain vanilla listed debt securities. Within this limit, the issuer could issue both secured and unsecured listed debt securities.
- A maximum of 5 (five) ISINs maturing per FY shall be allowed for structured (listed) debt securities and market linked debt securities. Where an issuer issues only structured or market linked debt securities, the maximum number of ISINs allowed to mature in a FY were restricted to 12 (twelve).

Key Modifications under the Circular

Taking into account the comments and representations made under the SEBI consultation paper dated 22 October 2021 on 'Capping of ISINs for Corporate Bonds' (the Consultation Paper), SEBI, vide the Circular, amended and restricted the aggregate number of ISINs maturing per FY in the manner as stated in the table below. The Circular will be effective from 1 April 2023 and hence the newly prescribed limited will not apply to the listed debt securities issued up to 31 March 2023.

S.no.	Nature of listed debt securities	Number of ISINs under the Operational Circular prior to the amendment	Revised number of ISINs as per the Circular
1.	Plain vanilla listed debt securities	12 (twelve)	(↓) 9 (nine) Provided, where the total outstanding amount across the 9 ISINs maturing in a FY reaches Rs. 15,000 crores, then 3 (three) additional ISINs would be permitted to mature in the same FY. The same has to be intimated to the depository and the stock exchanges.
2.	Structured debt securities and market linked debt securities	5 (five)	5 (five)
3.	Capital gains tax debt securities by the authorized issuers under section 54EC of the Income-Tax Act, 1961	12 (twelve)	(↓) 6 (six)
4.	Where an issuer issues only structured / market linked debt securities	12 (twelve)	(↓) 9 (nine)

Comment

This move from SEBI has come forth after the regulator observed issuers' representation that capping of ISINs and reissuing bonds in the same ISINs have aided them in better projection of cash flows and thus enabling them to effectively carry out their asset liability management requirements. Further, SEBI noted that procedurally, it has also helped in reducing the multiplicity in formalities such as filing of offer documents, creation of ISINs, tracking covenants, etc. Lastly, it was found that the issuers were not utilizing half of the maximum ISINs allotted to them.

- *Manisha Shroff (Partner), Saranya Karanath (Associate), Chhavishree Somani (Associate)*

For any queries please contact: editors@khaitanco.com

We have updated our [Privacy Policy](#), which provides details of how we process your personal data and apply security measures. We will continue to communicate with you based on the information available with us. You may choose to unsubscribe from our communications at any time by clicking [here](#).