

## ERGO

*Analysing developments impacting business*

### TIMELINES SHORTENED IN RELATION TO LISTING OF PRIVATELY PLACED DEBT SECURITIES

13 December 2022 Securities and Exchange Board of India (SEBI) vide its circular on 'Review of timelines for listing of securities issued on a private placement basis' dated 30 November 2022 and bearing reference no. SEBI/HO/DDHS/DDHS\_Div1/P/CIR/2022/167 (hereinafter, the Amendment) amended Chapter VII (Standardization of timelines for listing of securities issued on a private placement basis) of the Operational Circular dated 10 August 2021 issued by SEBI (hereinafter, the Operational Circular). The chapter is applicable to issue and listing of non-convertible securities, securitised debt instruments, security receipts and municipal debt securities (together, NCS)

The Amendment will come into effect from 1 January 2023 and will be applicable to issues listed thereafter.

#### **Key Modifications under the Amendment<sup>1</sup>**

1. In-principle Approval now required prior to uploading the placement memorandum on electronic book provider platform (EBP)

Under terms of Regulation 6 of the SEBI (Issue and listing of Non-convertible Securities) Regulations, 2021 and Regulation 4A of the SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015, an 'in-principle' approval is required to be obtained from the stock exchange(s) where the issuer intends to list its NCS (Approval). Prior to the Amendment, the Operational Circular did not provide any timelines for receipt of the Approval. However, it was a requirement to have the Approval prior to uploading the placement memorandum on the EBP. As per the Amendment, issuers (which has previously issued debt securities on EBP) will now be required to be in receipt of the Approval, 2 days prior to issue opening date (T), and first-time issuers on EBP will now be required to be in receipt of the Approval, prior to T-5 days. In case of issuances through non-EBP, issuers are now required to be in receipt of the Approval, prior to 'T'.

2. Introduction of timelines for ISIN allocation

Issuer are required to make application to a depository to procure International Securities Identification Number (ISIN) for their NCS. The Amendment has introduced the timeline for the same and it is now required that issuers obtain the

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<sup>1</sup> Any reference to 'T' for privately placed issues through EBP implies 'bidding date' and for privately placed issues outside EBP, 'T' implies 'issue open date'. Further, in relation to issues outside EBP, for purpose of illustration, it is assumed that issue is open for one day only. In case issue is kept open for more than one day, the timelines specified for activities post the bidding date shall be computed from issue closure date.

ISIN on or before T+1 days and prior to pay-in, for EBP issuances and non-EBP issuances. Further, the issuers are also required to apply to both depositories for admission of such proposed debt issuances on or before T+1 days and prior to pay-in. Previously, ISINs were being obtained on the pay-in date.

### 3. Reduction of timelines for listing

The existing timelines prescribed under the Operational Circular required the issuers to have their NCS listed on the stock exchange(s) in T+4 days. In pursuance of efficacy in the listing process and to expedite the availability of NCS for trading by the investors, the Amendment has reduced the timeline for listing to T+3 days. Now, within the newly introduced timeline of T+3 days, the issuers are required to: → in case of EBP issuances, make a final listing application for listing of non-convertible securities or municipal debt securities, and, in case of non-EBP issuances, make an application for listing of non-convertible securities, municipal debt securities, securitised debt instruments or security receipts → receive final listing permission from the stock exchange(s) → have the ISIN activated by depositories.

### 4. Firm timelines introduced for settlement of NCS

For settlement of issuances under EBP, the following activities shall be completed within T+1 or T+2 days (on the basis of the settlement cycle chosen by the issuers): → pay-in by the bidders or allottees → communication of receipt of money to the issuers → finalisation of allocation by the issuers → payment of stamp duty by the issuers → filing of corporate action file with the depositories by the registrar transfer agent → conclusion of corporate action or demat credit by depositories → pay-out of funds to the issuers → issue of credit confirmation letter by depositories to the issuers.

There was no timeline provided for settlement of non-EBP issuances under the Operational Circular. Pursuant to the Amendment, for settlement of non-EBP issuances, the following activities shall be completed within T+2 days: → receipt of funds by the issuers from investors → finalisation of allocation by the board or committee of the board of issuers → payment of stamp duty by the issuers → filing of corporate action file with the depositories by the registrar transfer agent → conclusion of corporate action or demat credit by depositories → issue of credit confirmation letter by depositories to the issuers.

### 5. Removal of prohibition on utilisation of proceeds of subsequence placements

The Operational Circular earlier provided that in case the issuer fails to receive the final listing approval from the stock exchange(s) within the prescribed timeline, in addition to payment of penalty, the issuer was also prohibited from utilising the issue proceeds of its subsequent two privately placed issuances of NCS. The Amendment has done away with the prohibition of on utilisation of the proceeds of two subsequent issues and now the issuers are only responsible for payment of penalty (1% per annum from the deemed date of allotment over the coupon or dividend rate for the period of delay to the investor) for delay in listing.

*Tabular snapshot of timelines for issuance and listing of NCS on private placement basis*

S.no.	Category	Timeline (working day)	
		Electronic Book Provider platform (EBP)	Non-EBP
Pre-Issue Activities			
1.	<b>In-principle Approval</b>	Prior to T-2 or T-5 (for first time issuers)	Prior to T
2.	<b>PM upload</b>	Prior to T-2 or T-5 (for first time issuers)	--
3.	<b>Bidding Announcement</b>	Issuer shall provide bidding start time and close time to EBP, on or before T-1	On or before T-1 Issue period (open and close date) is to be disclosed by the issuer in the placement memorandum.
4.	<b>Day of bidding / Issue open date</b>	T	T
5.	<b>ISIN Allocation</b>	On or before T+1	On or before T+1
6.	<b>Settlement</b>	On or before T+1 or T+2 (basis the settlement cycle chosen by the issuer)	On or before T+2
7.	<b>Allocation by issuers</b>	On or before T+1 or T+2 (basis the settlement cycle chosen by the issuer)	On or before T+2
8.	<b>Filing of corporate action</b>	On or before T+1 or T+2 (basis the settlement cycle chosen by the issuer)	On or before T+2
9.	<b>Credit confirmation by depositories</b>	On or before T+1 or T+2 (basis the settlement cycle chosen by the issuer)	On or before T+2
10.	<b>Payment of stamp duty</b>	On or before T+1 or T+2 (basis the settlement cycle chosen by the issuer)	On or before T+2
Post-Issue Activities			
11.	<b>Security Creation</b>	On or before T+3	On or before T+3
12.	<b>Listing</b>	On or before T+3	On or before T+3

**Comment**

This move from SEBI has come forth after the regulator received feedback from market participants to consider standardising the pre-listing processes and revision of the time gap between credit confirmation and ISIN activation in order to bring about efficiency in the market. The motive behind providing a comprehensive list of steps along with timelines is to bring about efficacy in the listing process and to expedite the availability of NCS for trading by the investors. SEBI intends to ensure strict compliance of the timelines provided in the Amendment. However, some flexibility has been given and if found necessary, stock exchanges may grant an exemption from the given timelines under the Amendment, subject to an outer limit of T+3 days for conclusion of listing process, after recording the reasons in writing.

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