The Managing Director / Executive Director / Administrator
Of All Stock Exchanges

Dear Sirs,

Sub: Corporate Bond Market – Launch of Reporting Platform

I. SEBI had issued circular No.SEBI/ MRD/SE/AT/36/2003/30/09 dated September 30, 2003 stipulating the conditions to be complied in respect of private placement of debt securities. These conditions governed three aspects, viz., issuance, listing and trading of privately placed debt securities. Subsequently, circular No.SEBI/MRD/SE/AT/46/2003 dated December 22, 2003 was issued which included clarifications on the circular issued earlier in the matter.

II. In order to implement the Union budget proposal on creation of a unified platform for trading of Corporate Bonds, it has been decided to establish, in the first phase, a system to capture all information related to trading in corporate bonds as accurately and as close to execution as possible through an authorized reporting platform. In the second phase of development, it is proposed to permit recognized stock exchanges having nationwide access to set up a corporate bond trading platform to enable efficient price discovery and reliable clearing and settlement in a gradual manner.

III. It has been decided that Bombay Stock Exchange Limited would be setting up and maintaining a corporate bond reporting platform as envisaged in the first phase. For the purpose, the following shall be implemented with effect from January 1, 2007:

1. The term ‘Corporate Bonds’ for this purpose shall include all listed debt securities issued by institutions such as Banks, Public Sector Undertakings, Municipal Corporations, bodies corporate and companies.

2. All issuers, intermediaries and contracting parties shall be granted access to the corporate bond reporting platform for reporting of trades. Where transactions are executed through the intermediary, reporting responsibility shall lie with the intermediary. If executed otherwise, reporting will be made either through an authorized intermediary or directly by the contracting parties.
3. All transactions in corporate bonds of the value of Rs.1,00,000 or above are required to be reported to the corporate bond platform. The transactions shall be reported within 30 minutes of closing the deal. The information on settlement shall be reported by the parties involved in the transaction within 1 trading day from completion of the settlement.

4. The Bombay Stock Exchange Limited (BSE) shall ensure that the Corporate Bond Reporting platform for the purpose shall be available from 10.00 am to 5.30 pm on all trading days.

5. The access to the platform for the purpose of reporting will be given to all market intermediaries who approach BSE for the purpose. The connectivity to the non-members of the Exchange would be enabled through Virtual Private Network (VPN).

6. The BSE shall populate the data reported on their platform on their website on a real time basis for information of investors/public.

7. Since the platform is purely for reporting purposes, the stock exchange shall have no role or liability for settlement of these trades. The intermediaries/contracting parties shall settle the trades bilaterally.

8. Issuers are required to disclose/update regularly all material information such as rating obtained on the instruments and the rating migrations as and when they take place, record date, reasons for record date, put/call option dates, units exercised under put/call option etc, failing which action may be initiated against the issuer and/or its directors/promoters.

IV. Applicability

1. The reporting shall be made for all trades in listed debt securities issued by all institutions such as Banks, Public Sector Undertakings, Municipal Corporations, bodies corporate and companies.

2. The reporting of trades in Corporate Bonds shall be made by all person(s) dealing in such corporate bonds irrespective of whether they are SEBI registered intermediaries or otherwise.

V. Direction to Stock Exchanges

All Stock Exchanges are directed to:

a. Make necessary amendments to the listing agreement, bye-laws, rules and regulations for the implementation of the above decision immediately, as may be applicable and necessary.
b. Bring the provisions of this circular to the notice of the entities in both equity and debt segments, member brokers, clearing members of the Exchange and also to disseminate the same on the website for easy access to the investors; and

c. Communicate to SEBI, the status of the implementation of the provisions of this circular in Section II, item no. 13 of the Monthly Development Report from the month of January, 2007.

VI. This circular is issued in exercise of powers conferred by sub-section (1) of Section 11 of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market. The provisions of the earlier circulars No.SEBI/MRD/SE/AT/36/2003/30/09 dated September 30, 2003 and Circular No.SEBI/MRD/SE/AT/46/2003 dated December 22, 2003 in so far as they are inconsistent with the provisions of the instant circular shall stand superceded.

VII. This circular is available on SEBI website at www.sebi.gov.in.

Yours faithfully,

Parag Basu