



CIRCULAR

CIR. /IMD/DF-1/20/2012

July 27, 2012

To

**All Recognized Stock Exchanges
All Registered Merchant Bankers
All Registered Registrars to an Issue
All Registered Bankers to an Issue
All Depositories**

Dear Sir/Madam,

Sub: System for Making Application to Public issue of Debt Securities

1. Regulation 10 of the SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (the "SEBI Debt Regulations") provides that:

"An issuer proposing to issue debt securities to the public through the on-line system of the designated stock exchange shall comply with the relevant applicable requirements as may be specified by the Board."

2. Regulation 31(2) of SEBI (Issue and Listing of Debt Securities) Regulations, 2008 provides that:-

"In particular, and without prejudice to the generality of the foregoing power and provisions of these regulations, such orders or circulars may provide for all or any of the following matters, namely:

Electronic issuances and other issue procedures including the procedure for price discovery...."

3. In view of the above, in order to facilitate a system for making online applications for public issue of debt securities and to reduce the timelines of the issue process for public issue of debt securities, it has been decided to:
 - a. Extend ASBA facility to public issues of debt securities; and
 - b. Provide option for subscribing to debt securities through an online internet interface with a facility to make online payment.



- c. Apply the timelines for the issue process as provided in SEBI Circular CIR/CFD/DIL/1/2011 dated April 29, 2011 or as notified by SEBI from time to time.
4. The detailed procedure for providing the above facilities is laid out in [Annexure](#) to this circular. The circular shall be applicable with immediate effect subject to putting in place necessary systems and infrastructure by the stock exchanges.
5. Recognized Stock Exchanges are directed to:
 - a. Comply with the conditions laid down in this circular
 - b. Put in place necessary systems and infrastructure for implementation of this circular.
 - c. Make consequential changes, if any, to the bye-laws of the Exchange as may be applicable and necessary.
 - d. Communicate to member brokers/ sub-brokers and create awareness amongst them about their roles and responsibilities in such issues.
6. Depositories, Merchant Bankers and Registrars are directed to:
 - a. Comply with the conditions laid down in this circular
 - b. Put in place necessary systems and infrastructure for implementation of this circular.
 - c. Create awareness among issuers and investors about the various modes available for making applications
7. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 31(2) of SEBI (Issue and Listing of Debt Securities) Regulations, 2008.
8. This circular is available on SEBI website at www.sebi.gov.in under the category "Legal Framework" and under the drop down "Corp Debt Market".

Yours faithfully,

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ANNEXURE

1. Method of Application: Issuers shall provide the following options for making application to public issues of debt securities:

- 1.1. Direct Applications by using online interface to be provided by Stock Exchanges with Online Payment Facility
- 1.2. Applications through Lead Managers/Syndicate Members/ Sub Syndicate Members / Trading Member of stock exchange(s) using ASBA facility
- 1.3. Applications through Banks using ASBA facility
- 1.4. Application through Lead Manager/Syndicate Member / Sub Syndicate Member / Trading Member of stock exchange(s) without use of ASBA facility.
- 1.5. Application through Lead Manager/Syndicate Member/ Sub Syndicate Member/ Trading Member of stock exchange(s) for applicants who intend to hold debt securities in physical form.

2. Procedure: The procedure to be followed for the above options shall be as detailed below:

2.1. Direct Applications by using online interface through stock exchange(s) with Online Payment Facility

- 2.1.1. Issuer shall provide, through a recognized stock exchange which offers such facility, an online interface enabling direct application by investors to the public issue.
- 2.1.2. The online interface shall provide an online payment facility and ensure compliance with the requirements as specified in this section.
- 2.1.3. Only investors with demat account shall be permitted to make an application using the online interface.
- 2.1.4. The investor shall be required to log on to the stock exchange platform and provide requisite information as per the application form.



- 2.1.5. For compliance with KYC requirements, the interface shall rely on the Depository Participant ID, Beneficiary Owner Account No which shall be validated online from the Depositories.
- 2.1.6. The investor shall make payment for the debt securities through the payment gateway provided by the online interface. The exchange shall arrange to send SMS/ email confirmation regarding receipt of funds to the investor.
- 2.1.7. On successful submission of the application form, a unique acknowledgement number shall be generated.
- 2.1.8. Investors shall be able to cancel their application based upon the unique acknowledgement number. This unique acknowledgement number shall be quoted by the applicant for their grievances, if any.
- 2.1.9. All online payments shall be routed to the Escrow Account of the issuer.
- 2.1.10. Upon allotment, the Registrar shall credit securities to the demat account of the applicant and in case of refund, the refund amount shall be credited directly to the investor's bank account.
- 2.1.11. Optional facility may be provided to the applicant for selecting broker name and broker code, if any, of the broker who referred the issue to the applicant.
- 2.1.12. As the application shall be made online, there shall no movement of any document from the Stock Exchange(s) to the Registrar.

2.2. Applications through Lead Manager/Syndicate Member/ Sub Syndicate Member / Trading Member of stock exchange(s) using ASBA facility and Applications through Banks using ASBA facility

- 2.2.1. Issuers shall offer ASBA mechanism as an alternative method for making an application for public issue of debt securities. However, it shall not be compulsory to make application through ASBA.
- 2.2.2. In respect of ASBA applications, all existing rules, regulations and procedures as notified by SEBI from time to time shall be followed.



2.2.3. In addition, application for debt securities using ASBA facility may also be offered by Trading Member(s) of Stock Exchange(s) who are not empanelled as Syndicate /Sub-syndicate Members. All rules, regulations and procedures applicable to Lead Manager / Syndicate/Sub syndicate members shall mutatis mutandis be applicable to such Trading Member(s) of Stock Exchange(s).

2.3. Applications through Lead Manager/Syndicate / Sub Syndicate Member / Trading Member through Collecting Banks without using ASBA facility

- 2.3.1. Facility for making online applications through Lead Manager/Syndicate/Sub-syndicate Member/ Trading Member using normal cheque payment method shall also be available.
- 2.3.2. Only investors with demat account shall be permitted to make such applications.
- 2.3.3. For such applications, the Lead Manager/Syndicate/Sub-syndicate Member/ Trading Member shall upload details of applications on the on-line platform of the stock exchanges.
- 2.3.4. Lead Manager/Syndicate / Sub-syndicate Member / Trading Member shall also download the forms from stock exchanges platforms or use physical application forms and submit these forms along with cheques/drafts/payment instrument to the Collecting Banks.
- 2.3.5. The Collecting Banks shall realize the payments for these applications in the Escrow Account of the issuer and shall give details of the same to the Registrar. These application forms shall be forwarded to Registrar for procurement analysis and resolution of investor grievances as per procedure followed in equity securities issuances.
- 2.3.6. The Registrar shall match the application details captured in the electronic book as obtained from the stock exchanges and the payment received for the purpose of allotment and reconciliations of funds received.
- 2.3.7. The Registrar shall credit the securities in the demat account of successful allottees.
- 2.3.8. The Registrar shall give refund amount or excess application amount to the investor directly as per bank account details provided in the demat account of the applicant.



2.4. Applications for allotment in physical form through Lead Manager/Syndicate / Sub Syndicate Member or Trading Member

- 2.4.1. Issuer may also provide facility for making applications in physical form for investors who do not have demat accounts.
- 2.4.2. For allotment in physical mode, the applicant shall required to comply with KYC norms specified by SEBI by submitting documents for identity and address proof.
- 2.4.3. Such applications shall be collected by the Lead Manager, Syndicate/Sub Syndicate member or Trading member who shall
 - 2.4.3.1. verify and check required KYC documents submitted by the investor along with the application
 - 2.4.3.2. upload application details required for allotment on the stock exchange platform.
 - 2.4.3.3. provide acknowledgment of the application to the investor.
- 2.4.4. The application along with payment instrument favoring the Escrow Account of the issuer shall be submitted by the Lead Manager, Syndicate/Sub Syndicate member or Trading member to the Collecting Bank.
- 2.4.5. The Collecting Bank shall realize the payment instrument and shall send details of such applications forms, along with KYC documents to the Registrar.
- 2.4.6. The Registrar shall match the application details with the application details received from Stock Exchanges, and carry out necessary checks and validations and reconciliation of funds received from the Collecting Banks.
- 2.4.7. The Registrar shall dispatch the physical certificate to the applicant as per address provided in the application. In case KYC documents are not proper, Registrar shall hold back physical certificate pending receipt of complete KYC documents from investor.
- 2.4.8. The Registrar shall send the refund amount or excess application amount to the applicant as per the bank account details provided in the application.



3. Roles and Responsibilities: While providing the options for making applications as detailed above, the obligations and responsibilities of various intermediaries shall be as under:

3.1. Issuer

- 3.1.1. The issuer shall use an on-line platform provided by stock exchange(s) for receiving applications in public issue of debt securities.
- 3.1.2. For this purpose, the issuer shall enter into an agreement with the stock exchange(s) which offer such system.
- 3.1.3. The agreement shall specify inter-alia, the inter se rights, duties, responsibilities and obligations of the issuer and stock exchange(s).
- 3.1.4. The agreement shall also provide for a dispute resolution mechanism between the issuer and the stock exchange(s).
- 3.1.5. The issuer shall maintain a single escrow account for collecting application money through all the methods.

3.2. Registrar

- 3.2.1. The registrar shall have an online or system driven interface with the Stock Exchange platform to get updated information pertaining to issues.
- 3.2.2. The Registrar shall collect aggregate applications details from the stock exchanges platform to decide the eligible applications and process the allotment as per applicable SEBI Regulations.
- 3.2.3. Where the issuer has signed agreements with multiple stock-exchanges, the Registrar shall ensure that the allotment is done on date time priority.
- 3.2.4. An application without valid application amount shall be treated as invalid application by the Registrar.
- 3.2.5. The Registrar shall credit securities/dispatch certificates to all valid allottees
- 3.2.6. The Registrar shall ensure refund of application amount or excess application amount in the bank account of the applicant as stated in its demat account.



3.3. Stock Exchange

3.3.1. Stock Exchanges shall provide a platform for making applications through

3.3.1.1. Syndicate Member/ Sub Syndicate Member / Trading Member of stock exchange(s)

3.3.1.2. Web-enabled direct applications from investors with Online Payment Facility

3.3.2. The on-line web enabled platform shall provide

3.3.2.1. all appropriate fields, required for public issue of debt securities, as per SEBI Cir No. IMD/DF-1/19/2012 dated July 25, 2012.

3.3.2.2. issue opening/ closing date.

3.3.2.3. facility for generation of acknowledgement number.

3.3.2.4. validation of DP ID, Client ID and PAN entered in the online system with the Depositories database.

3.3.2.5. generate an issue specific code from the on-line platform, so that participants on the online platform do not face any problem in segregating the ASBA issue-wise.

3.3.2.6. providing facilities of online payment by the investor through payment gateway or any other mechanism

3.3.3. The Stock Exchanges shall be responsible for

3.3.3.1. accurate, timely and secured transmission of the electronic application file uploaded by all participants on the online platform, to the registrar.

3.3.3.2. providing the necessary payment gateway interface for receipt of funds for direct interface to investors.

3.3.3.3. ensuring smooth movement of funds to the Escrow account of the issuer.

3.3.3.4. disseminating the issue information on Exchange web site on a real time basis across all categories and types of options.

3.3.3.5. ensuring that any Trading Member does not levy a service fee on his clients/investors in lieu of his services in this regard.



3.3.4. Notwithstanding the responsibility of the Lead Managers/ Syndicate Members as laid down in SEBI regulations, the Stock Exchange shall be responsible for addressing investor grievances arising from applications submitted online through the stock exchange platform or through their Trading Members.

3.4. Lead Manager/Syndicate Member / Sub – syndicate Member / Trading Member

3.4.1. The Lead Manager /Syndicate/Sub-syndicate Member or Trading Member shall be responsible for addressing any investor grievances arising from the applications uploaded by them in respect of quantity, price or any other data entry or other errors made by them.

3.4.2. If the Lead Manager / Syndicate/Sub-syndicate member or Trading Member has not entered any details correctly on the stock exchanges platform and it results on the mismatch with the data obtained by the Registrar from the Depositories, the Lead Manager / Syndicate/sub-syndicate member or Trading Member shall be responsible for rejection of such applications.

3.5. Collecting Banks

3.5.1. The Collecting Bank shall be responsible for addressing any investor grievances arising from non confirmation of funds to the Registrar despite successful realization of the payment instrument in favour of the issuer's Escrow Account, or any delay or operational lapse by the Collecting Bank in sending the forms to the Registrar