



CIRCULAR

CIR/IMD/DF-1/122/2016

November 11, 2016

To,

All Issuers

All Recognized Stock Exchanges

All Depositories

All Registered Merchant Bankers

Dear Sir / Madam,

Sub.: Clarification on aspects related to day count convention for debt securities issued under the SEBI (Issue and Listing of Debt Securities) Regulations, 2008

1. SEBI vide circular no. SEBI/CBM/BOND/2/2007/13/04 dated April 13, 2007 had provided for the launch of trading platform for the corporate bond market. Further, SEBI, vide Circular no CIR/IMD/DF/18/2013 dated October 29, 2013 had clarified certain issues pertaining to primary issuance of debt securities. SEBI vide the aforesaid circular dated October 29, 2013, had inter-alia specified that the cash flows emanating from the debt securities shall be mentioned in the prospectus/disclosure document, by way of an illustration. It was mentioned that if the coupon payment date of the debt securities, falls on a Sunday or a holiday, the coupon payment shall be made on the next working day. If the maturity date of the debt securities, falls on a Sunday or a holiday, the redemption proceeds shall be paid on the previous working day.
2. SEBI was is in receipt of a representation from the market participants, wherein it was stated that different conventions are being followed with respect to calculation of interest payments on debt securities, multiple standards and different holiday calendars are considered for leap year calculations and payment of interest and maturity proceeds respectively.
3. Based on the discussions with different stakeholders, following clarifications are made:



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- a) If the interest payment date falls on a holiday, the payment may be made on the following working day however the dates of the future coupon payments would be as per the schedule originally stipulated at the time of issuing the security. In other words, the subsequent coupon schedule would not be disturbed merely because the payment date in respect of one particular coupon payment has been postponed earlier because of it having fallen on a holiday.

This is illustrated with the help of the following example:

*Date of Issue of Corporate bonds : July 01, 2016
Date of Maturity : June 30, 2018
Date of coupon payments : January 01 and July 01
Coupon payable : semi-annually*

In this case, January 01, 2017 is a Sunday, thus the coupon would be payable on January 02, 2017 i.e. the next working day. However the calculation for payment of interest will be only till December 31, 2016, which would have been the case if January 01, 2017 were not a holiday. Also, the next dates of payment would remain July 01, 2017 and January 01, 2018 despite the fact that one of the interest payment was made on January 02, 2017.

- b) In order to ensure consistency for interest calculation, a uniform methodology shall be followed for calculation of interest payments in the case of leap year, which shall be as follows:

In case of a leap year, if February 29 falls during the tenor of a security, then the number of days shall be reckoned as 366 days (Actual/Actual day count convention) for a whole one year period, irrespective of whether the interest is payable annually, half yearly, quarterly or monthly etc. It is thus emphasized that for a half yearly interest payment, 366 days would be reckoned twice as the denominator; for quarterly interest, four times and for monthly interest payment, twelve times.

This is illustrated with the help of the following example:

*Date of issue of corporate bonds: January 01, 2016
Coupon payable : semi-annually
Date of coupon payments : July 01 and January 01*



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In the above example, in case of the leap year (i.e, 2016), 366 days would be reckoned as the denominator (Actual/Actual), for payment of interest, in both the half year periods i.e. Jan 01, 2016 to Jul 01, 2016 and Jul 01, 2016 to Jan 01, 2017.

- c) In order to ensure uniformity for payment of interest/redemption with respect to debt securities, it has been decided that interest/redemption payments shall be made only on the days when the money market is functioning in Mumbai.
4. The provisions of this circular shall be applicable for the debt securities issued, in accordance with SEBI (Issue and Listing of Debt Securities) Regulations, 2008, on or after January 01, 2017.
5. This circular is issued in exercise of powers conferred under Section 11(1) 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 markets.
6. This Circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework".

Yours faithfully,

Richa G. Agarwal
Deputy General Manager
Investment Management Department - Division of Funds - 1
richag@sebi.gov.in
022- 26449596