



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CONSULTATION PAPER

DEPARTMENT OF DEBT AND HYBRID SECURITIES

**Consultation paper on streamlining disclosure in respect of
appointment of Debenture Trustee (DT) in the offer document**

August 2024



भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India

Timeline to Respond

Comments on the Consultation paper (CP) may be sent by September 06, 2024

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1. OBJECTIVE AND BACKGROUND:

- 1.1. The objective of this consultation paper is to seek comments/ views/ suggestions from the public on the suggestions of the Working group for Ease of Doing Business (EoDB) for DTs.
- 1.2. The Hon'ble Finance Minister in the budget announcements for FY 2023-24, *inter-alia*, made an announcement to simplify, ease and reduce cost of compliance for participants in the financial sector through a consultative approach.
- 1.3. In order to align the process of review with the budget announcement, SEBI constituted various Working Groups to recommend measures to simplify and ease compliances under various SEBI Regulations.
- 1.4. Accordingly, a working group for review of compliance requirements under SEBI (Debenture Trustees) Regulations, 1993 (hereinafter '*DT Regulations*') recommended certain measures to promote ease of doing business.
- 1.5. Further, in order to promote the ease of doing business and reduce the compliance burden, SEBI vide Press Release dated October 04, 2023 had also sought comments from the public on various Regulations by November 06, 2023. The comments received from the public regarding DT Regulations were forwarded to the working group for consideration in its final recommendation.
- 1.6. Based on the recommendations of working group on ease of doing business and subsequent deliberations with Corporate Bonds and Securitization Advisory Committee (hereinafter "*CoBoSAC*"), public comments are invited in respect of the following proposal:

- (a) Replace the term 'consent letter' with the term 'debenture trustee agreement' in clause 3.3.32 of Schedule I of NCS Regulations, 2021. The said debenture trustee agreement (DTA) shall be made accessible to investors using 'QR code' in the offer document;

1.7. The detailed proposal is mentioned in Paragraph 2 of this consultation paper.

2. **Replace the term ‘consent letter’ with the term ‘debenture trustee agreement’ in clause 3.3.32 of Schedule I of NCS Regulations, 2021. The said debenture trustee agreement (DTA) shall be made accessible to investors using ‘QR code’ in the offer document**

2.1. Background and extant regulatory provision:

2.1.1. Regulation 13 of DT Regulations, 1993, mandates all DTs to enter into a written agreement, referred to as Debenture Trustee Agreement (DTA), with the body corporate before the opening of the subscription list for issue of debentures, that *inter-alia* reads as under:

“Obligation before appointment as debenture trustees.

13. No debenture trustee who has been granted a certificate under regulation 8 shall act as such in respect of each issue of debenture unless—

(a) he enters into a written agreement with the body corporate before the opening of the subscription list for issue of debentures;

(b) the agreement under clause (a) shall inter-alia contain:

(i) an undertaking by the body corporate to comply with all regulations / provisions of Companies Act, 2013, guidelines of other regulatory authorities in respect of allotment of debentures till redemption;

(ii) the time limit within which the security for the debentures shall be created or the agreement shall be executed in accordance with the Companies Act, 2013 or provisions as prescribed by any regulatory authority as applicable.”

2.1.2. Clause 3.3.32 of Schedule I of NCS Regulations, inter-alia, specifies the following Disclosures for Issue of Securities as part of the offer document:

“The names of the debenture trustee(s) shall be mentioned with a statement to the effect that debenture trustee(s) has given its consent for appointment along with the copy of the consent letter from the debenture trustee.”

2.2. Submissions of the working group:

Concern: The legal document which validates the appointment of the debenture trustee is the DTA and not consent letter.

Discussion: The working group discussed and noted that the Issuer obtains the consent letter from the DTs, prior to initiation of assignment whereas the DTA is executed between them at a later stage. However, the working group noted that the consent letter does not appear to have any kind of legal sanctity.

Recommendation: The WG agreed that the legal document that validates the appointment of the debenture trustee is the DTA and not the consent letter.

2.3. Recommendations of CoBoSAC:

The Committee members deliberated and were in agreement with the proposal. Considering the importance of the DTA, it was also desired by SEBI that the DTA shall be made accessible to investors using 'QR code' in the offer document.

2.4. Proposal:

Considering the recommendations of working group and deliberations held in CoBoSAC meeting, it is proposed that the term 'consent letter' in clause 3.3.32 of Schedule I of NCS Regulations may be replaced with the term 'debenture trustee agreement'. Also, the said DTA shall be made accessible to investors using 'QR code' in the offer document.

Consultation 1: Replace the term 'consent letter' with the term 'debenture trustee agreement' in clause 3.3.32 of Schedule I of NCS Regulations, 2021. The said debenture trustee agreement (DTA) shall be made accessible to investors using 'QR code' in the offer document

Kindly provide your comments for the below item along with supporting rationale:

- 1) Whether the proposal to replace the term 'consent letter' in clause 3.3.32 of Schedule I of NCS Regulations with the term 'debenture trustee agreement' is appropriate and adequate?

3. Public Comments

3.1. Considering the implications of the aforementioned matters on the market participants, public comments are invited on the above-detailed proposals. The comments/ suggestions should be submitted through the following mode latest by, 2024 :-

3.1.1. Preferably through Online web-based form

3.1.1.1. The comments may be submitted through the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

3.1.1.2. The instructions to submit comments on the consultation paper are as under:

1. *Before initiating the process, please read the instructions given on top left of the web form as “Instructions”.*
2. *Select the consultation paper you want to comment upon from the dropdown under the tab – “Consultation Paper” after entering the requisite information in the form.*
3. *All fields in the form are mandatory;*
4. *Email Id and phone number cannot be used more than once for providing comments on a particular consultation paper.*
5. *If you represent any organization other than the types mentioned under dropdown in “Organization Type”, please select “Others” and mention the type, which suits you best. Similarly, if you do not represent any organization, you may select “Others” and mention “Not Applicable” in the text box.*
6. *There will be a dropdown of Proposals in the form. Please select the proposals one- by-one and for each of the proposal, please record your level of agreement with the selected proposal. Please note that submission of agreement level is mandatory.*
7. *If you want to provide your comments for the selected proposal, please select “Yes” from the dropdown under “Do you want to*

comment on the proposal” and use the text boxes provided for the same.

8. After recording your response to the proposal, click on “Submit” button. System will save your response to the selected proposal and prompt you to record your response for the next proposal. Please follow this procedure for all the proposals given in the dropdown.
9. If you do not want to react on any proposal, please select that proposal from the dropdown and click on “**Skip this proposal**” and move to the next proposal.
10. After recording your response to all the proposals, you may see your draft response to all of proposals by clicking on “**Check your response before submitting**” just before submitting response to the last proposal in the dropdown. A pdf copy of the response can also be downloaded from the link given in right bottom of the web page.
11. The final comments shall be submitted only after recording your response on all of the proposals in the consultation paper

3.1.1.3. In case of any technical issue in submitting your comment through web based public comments form, you may contact the following through email with a subject: “Issue in submitting comments on Consultation Paper on rationalizing disclosure requirements in the offer document for non-convertible securities and modification in timeline of disclosure to Stock Exchanges regarding payment obligations for listed commercial paper”.

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