



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CONSULTATION PAPER

DEPARTMENT OF DEBT AND HYBRID SECURITIES

Consultation paper on measures towards Ease of Doing Business and streamlining compliance requirements for Non-Convertible securities – review of LODR Regulations

August 2024



भारतीय प्रतिभूति और विनिमय बोर्ड
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Timeline to Respond

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

1. OBJECTIVE AND BACKGROUND:

- 1.1. The objective of this consultation paper is to seek comments/ views/ suggestions from the public on the proposals related to the Ease of Doing Business (EoDB) for non-convertible securities.
- 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 (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter '*LODR Regulations*') recommended certain measures to promote ease of doing business for entities having listed non-convertible securities.
- 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 LODR Regulations were forwarded to the working group for consideration in its final recommendation.
- 1.6. The working group has undertaken a review of various compliances applicable to the non-convertible securities under LODR Regulations and provided certain recommendations.

1.7. Based on the recommendations of working group on ease of doing business and subsequent deliberations with Corporate Bonds and Securitization Advisory Committee (hereinafter “CoBoSAC”), the items for public comments are listed below:

- (a) Alignment of provision regarding approval and authentication of financial results for entities having listed non-convertible securities with that for equity listed entities;
- (b) Alignment of provision regarding disclosure of fraud / default in respect of price sensitive information for entities having listed non-convertible securities with that of equity listed entities under Schedule III;
- (c) Reduction in timeline for intimation of record date to Stock Exchanges by entity having listed non-convertible securities to ‘atleast three working days’ from ‘atleast seven working days’;
- (d) Filing of all disclosures by listed entity (having listed non-convertible securities) with Stock Exchanges to be in XBRL format in line with provision specified for equity listed entities;
- (e) Relaxation from the ISIN restriction limit for unlisted ISINs (outstanding as on December 31, 2023) in case such ISINs are listed.

1.8. The detailed proposals and consultation matters related to aforementioned items are mentioned in Paragraphs 2 to 6 of this consultation paper.

2. Alignment of provision regarding approval and authentication of financial results for entities having listed non-convertible securities with that for equity listed entities

2.1. Background:

Currently, Regulation 52(2)(b) of the LODR Regulations, which applies to entities having listed non-convertible securities, requires quarterly results to be taken on record by the board of directors and to be signed by the managing director/ executive director, whereas Regulation 33(2)(a) and (b) of the LODR Regulations, which applies to entities with listed specified securities, requires the quarterly financial results to be approved by the board of directors and signed by the chairperson or managing director, or a whole time director or in the absence of all of them, by any other director duly authorized by the board of directors.

2.2. Extant regulatory provision:

2.2.1. Regulation 33(2)(a) and 33(2)(b) of the LODR Regulations reads as under:

" 33(2)The approval and authentication of the financial results shall be done by listed entity in the following manner:

(a) The quarterly financial results submitted shall be approved by the board of directors:

.....

(b) The financial results submitted to the stock exchange shall be signed by the chairperson or managing director, or a whole time director or in the absence of all of them; it shall be signed by any other director of the listed entity who is duly authorized by the board of directors to sign the financial results."

2.2.2. Regulation 52(2)(b) of the LODR Regulations reads as under:

“52(2) The listed entity shall comply with following requirements with respect to preparation, approval, authentication and publication of annual and quarterly financial results:

....

(b) The quarterly results shall be taken on record by the board of directors and signed by the managing director/ executive director”

2.3. Submission of working group:

Working Group has recommended to align the requirement under Regulation 52(2)(b) with Regulation 33(2)(b).

2.4. Recommendations of CoBoSAC:

The Committee members deliberated and were in agreement with the proposal.

2.5. Proposal:

Considering the recommendations of working group, deliberations held in CoBoSAC meeting and in order to ensure parity between provisions under LODR Regulations for equity and debt listed entities, it is proposed to modify regulation 52(2)(b) of the LODR Regulation as follows:

The quarterly financial results submitted shall be approved by the board of directors. Further, the financial results submitted to the stock exchange shall be signed by the chairperson or managing director, or a whole time director or in the absence of all of them; it shall be signed by any other director of the listed entity who is duly authorized by the board of directors to sign the financial results.

Consultation 1: Alignment of provision regarding approval and authentication of financial results for entities having listed non-convertible securities with equity listed entities

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

- 1) Whether the proposal of alignment of provision regarding approval and authentication of financial results for entities having listed non-convertible securities with equity listed entities is appropriate and adequate?

3. Alignment of provision regarding disclosure of fraud / default in respect of price sensitive information for entities having listed non-convertible securities with that of equity listed entities under Schedule III.

3.1. Background:

Schedule III of LODR Regulations prescribes disclosure of events and information that have bearing on the price of the securities. Part A of Schedule III read with Regulation 30 specifies in respect of specified securities whereas Part B of Schedule III read with Regulation 51(2) specifies in respect of listed non-convertible securities. Both the said parts have a provision in respect of disclosure of fraud / default by promoters and KMPs.

3.2. Extant regulatory provision:

3.2.1. Clause A.6 of Part-A of Schedule III inter-alia reads as under:

“Fraud or defaults by a listed entity, its promoter, director, key managerial personnel, senior management or subsidiary or arrest of key managerial personnel, senior management, promoter or director of the listed entity, whether occurred within India or abroad

For the purpose of this sub-paragraph:

- (i) ‘Fraud’ shall include fraud as defined under Regulation 2(1)(c) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.*
- (ii) ‘Default’ shall mean non-payment of the interest or principal amount in full on the date when the debt has become due and payable.*

Explanation 1- In case of revolving facilities like cash credit, an entity would be considered to be in 'default' if the outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for more than thirty days.

Explanation 2- Default by a promoter, director, key managerial personnel, senior management, subsidiary shall mean default which has or may have an impact on the listed entity."

3.2.2. Clause A.17 of Part-B of Schedule III reads as under:

"fraud/ defaults by promoter or key managerial personnel or director or employees of listed entity or by listed entity or arrest of key managerial personnel or promoter"

3.3. Submission of working group:

Working Group has recommended to align the language of both the provisions.

3.4. Recommendations of CoBoSAC:

The Committee members deliberated that there should be a common definition of 'fraud' for equity and debt listed entities. Thus, the CoBoSAC members agreed to the proposal of replacing the existing clause A.17 of part B of the Schedule III of the LODR Regulations which is specified for debt listed entities with clause A.6 of Part-A of Schedule III of LODR regulations which is specified for equity listed entities.

3.5. Proposal:

Considering the recommendations of working group and deliberations held in CoBoSAC meeting, in the absence of specific definition of fraud and default for debt listed entities, it is proposed to align clause A.17 of Part-B of Schedule III of LODR regulations with clause A.6 of Part-A of Schedule III of LODR Regulations.

Consultation 2: Alignment of provision regarding disclosure of fraud/default in respect of price sensitive information for entity having listed non-convertible securities with that of equity listed entities under Schedule III.

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

- 1) Whether the proposal to replace the existing clause A.17 of Part-B of Schedule III of LODR regulations with clause A.6 of Part-A of Schedule III of LODR regulations is appropriate and adequate?

4. Reduction in timeline for intimation of record date to Stock Exchanges by entity having listed non-convertible securities to 'atleast three working days' from 'atleast seven working days'.

4.1. Background:

Regulation 60(2) of the LODR Regulations which is applicable for listed entity having listed non-convertible securities mandates listed entity to give notice in advance of at least seven working days, excluding the date of intimation and the record date, to the stock exchange(s) of the record date, whereas regulation 42 of the LODR Regulations, which is applicable for equity listed entities, mandates a listed entity to give intimation of record date at least seven working days in advance excluding the date of intimation and the record date. However, in case of right issues, notice has to be given atleast three working days in advance.

4.2. Extant regulatory provision:

4.2.1. Regulation 60 of the LODR Regulation provides the following:

“(1) The listed entity shall fix a record date for purposes of payment of interest, dividend and payment of redemption or repayment amount or for such other purposes as specified by the stock exchange.

(2) The listed entity shall give notice in advance of at least seven working days (excluding the date of intimation and the record date) to the recognised stock exchange(s) of the record date or of as many days as the stock exchange(s) may agree to or require specifying the purpose of the record date.”

4.2.2. Regulation 42(2) of LODR Regulations reads as under:

“The listed entity shall give notice in advance of atleast seven working days (excluding the date of intimation and the record date) to stock exchange(s) of record date specifying the purpose of the record date: Provided that in the case of rights issues, the listed entity shall give notice in advance of atleast three working days (excluding the date of intimation and the record date).”

4.3. Submission of working group:

The working group suggested the requirement to provide advance notice to stock exchanges of atleast seven working days of the record date should be reduced to atleast three working days which is also the case in case of rights issue. As per the proviso to Regulation 42(2) of LODR Regulations, in case of rights issues, the listed entity is required to give notice in advance of at least three working days (excluding the date of intimation and the record date).

4.4. Recommendations of CoBoSAC:

The Committee members deliberated and were in agreement with the proposal.

4.5. Proposal

Considering the recommendations of working group, deliberations held in CoBoSAC meeting and since the record date is already standardized i.e. 15 days prior to the due date of payment obligations, it is proposed that the timeline for intimation of record date to Stock Exchanges by entity having listed non-convertible securities may be reduced from ‘atleast seven working days’ to atleast three working days’.

Consultation 3: Reduction in timeline for intimation of record date to Stock Exchanges by entity having listed non-convertible securities to 'atleast three working days' from 'atleast seven working days'

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

- 1) Whether the proposal of reducing the timeline for intimation of record date to Stock Exchanges by entity having listed non-convertible securities from 'atleast seven working days' to 'atleast three working days' is appropriate and adequate?

5. Filing of all disclosures by listed entity (having listed non-convertible securities) with Stock Exchanges to be in XBRL format in line with provision specified for equity listed entities

5.1. Background:

Currently, in the absence of any specific provision in the LODR Regulations and Master Circular for listing obligations and disclosure requirements for Non-convertible Securities, Securitised Debt Instruments and/ or Commercial Paper dated May 21, 2024 (hereinafter '*LODR Master Circular*') regarding filing of information under XBRL or PDF format, entities are filing disclosures with the Stock Exchanges under both XBRL as well as PDF format.

5.2. Extant regulatory provision:

Regulation 36(4) of LODR Regulations which is applicable for equity listed entities *inter-alia* reads as under:

"(4) The disclosures made by the listed entity with immediate effect from date of notification of these amendments-

(a) to the stock exchanges shall be in XBRL format in accordance with the guidelines specified by the stock exchanges from time to time; and

(b) to the stock exchanges and on its website, shall be in a format that allows users to find relevant information easily through a searching tool:

Provided that the requirement to make disclosures in searchable formats shall not apply in case there is a statutory requirement to make such disclosures in formats which may not be searchable, such as copies of scanned documents.”

5.3. Submission of working group:

The Working Group recommended that all filings made by listed entities under the LODR Regulations to be made only in XBRL format. Currently, the debt listed entities are being asked by the stock exchanges to submit the disclosures in both XBRL and PDF format. This leads to multiple filings under the same regulation and duplication of effort for listed entities to file data in different formats.

5.4. Recommendations of CoBoSAC:

The Committee members deliberated that all disclosures except financial results can be mandated to be filed in XBRL format. In case of submission of financial results to Stock Exchanges, CoBoSAC advised Stock Exchanges to provide a suitable glide path. .

5.5. Proposal

Considering the recommendations of working group and deliberations held in CoBoSAC meeting, it is proposed to have similar provision regarding disclosures to be filed in XBRL format for debt listed entities as specified for equity listed entities, .

Consultation 4: Disclosures filed by listed entity (having listed non-convertible securities) with Stock Exchanges to be made in XBRL format

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

- 1) Whether the proposal regarding filing of disclosures by a listed entity (having listed non-convertible securities) with Stock Exchanges and in XBRL format

in line with regulation 36(4) of the LODR Regulations is appropriate and adequate?

6. Relaxation from the ISIN restriction limit for unlisted ISINs (outstanding as on December 31, 2023) in case such ISINs are listed

6.1. Background:

6.1.1. Regulation 62A of the LODR Regulations mandates a listed entity (whose non-convertible debt securities are listed) to list all non-convertible debt securities, proposed to be issued on or after January 1, 2024, on the stock exchange(s). Additionally, it provides an option to a listed entity, to list its outstanding unlisted non-convertible debt securities issued on or before December 31, 2023.

6.1.2. Chapter VIII (*Specifications related to ISIN for debt securities*) of SEBI Master Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper dated May 22, 2024 (hereinafter 'NCS Master Circular'), *inter-alia* provides that in respect of private placement, a maximum of 14 ISINs maturing in a financial year shall be allowed for an issuer of debt securities.

6.2. Extant regulatory provision:

6.2.1. Clause Regulation 62A of LODR Regulations w.r.t "Listing of subsequent issuances of non-convertible debt securities" *inter-alia* reads as under:

"62A.(1) A listed entity, whose non-convertible debt securities are listed shall list all non-convertible debt securities, proposed to be issued on or after January 1, 2024, on the stock exchange(s).

(2) A listed entity, whose subsequent issues of unlisted non-convertible debt securities made on or before December 31, 2023 are outstanding on the said date, may list such securities, on the stock exchange(s).

....."

6.2.2. Clause 1.1 of Chapter VIII of NCS Master Circular reads as under:

“1. In respect of private placement of debt securities, the following shall be complied with regard to ISINs, utilised to issue debt securities from April 1, 2023:

1.1 A maximum number of fourteen ISINs maturing in any financial year shall be allowed for an issuer of debt securities. In addition, a further six ISINs shall also be available for the issuance of the capital gains tax debt securities.....”

6.3. Submission of working group:

The working group on EoDB recommended that unlisted ISINs getting converted to listed ISINs, subsequent to the introduction of Regulation 62A in the LODR Regulations, should not be considered for calculating the above cap of 14 ISINs.

6.4. Recommendations of CoBoSAC:

The CoBoSAC members deliberated and were in agreement with the proposal suggested by the Working Group.

6.5. Proposal

Considering the recommendations of working group and deliberations held in CoBoSAC meeting, in order to encourage issuers to list their grandfathered outstanding unlisted ISINs, it is proposed that unlisted ISINs outstanding as on December 31, 2023, converted to listed ISINs, subsequent to introduction of Regulation 62A, may be exempted from the limit of 14 ISINs specified in clause 1 of Chapter VIII of the NCS Master Circular.

Consultation 6: Relaxation from the ISIN restriction limit for grandfathered unlisted ISINs (outstanding as on December 31, 2023) in case such ISINs are listed

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

- 1) Whether the proposal regarding the unlisted ISINs outstanding as on December 31, 2024 being converted to listed ISINs subsequent to introduction of Regulation 62A of the LODR Regulation to be exempted for the purpose of computation of the limit of 14 ISINs specified in clause 1 of Chapter VIII of the NCS Master Circular is appropriate and adequate?

7. Public Comments

7.1. 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 September 06, 2024 :-

7.1.1. Preferably through Online web-based form

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

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

7.1.1.2. 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

7.1.1.3. 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 measures towards ease of doing business and streamlining compliance requirements for non-convertible securities – review of LODR regulations”.

a) Mr. Rishi Barua, DGM (rishib@sebi.gov.in)

- b) Mr. Appin Gothwal, AGM (apping@sebi.gov.in)
- c) Ms. Kiran Dhembre, AM (kirand@sebi.gov.in)

Issued on: August 16, 2024