



भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/MIRSD/MIRSD3/CIR/P/2017/ 72

June 30, 2017

To

All Debenture Trustees

All Stock Exchanges

Sir/ Madam,

Sub: Clarification on monitoring of Interest/ Principal repayment and sharing of such information with Credit Rating Agencies by Debenture Trustees

1. SEBI (Debenture Trustee) Regulations, 1993 ("DT Regulations") require the Debenture Trustees (DTs) to monitor that the debenture holders have been paid interest/ principal by the issuer companies on or before the due dates of such repayment[*Regulations 15(1)(g)*]. Further, the DTs are also required to share information available with them regarding client companies, with registered Credit Rating Agencies (CRAs) [*Clause 13 of Code of Conduct read with Regulation 16*].

Moreover, the nature of such information to be shared with the CRAs has been clarified in the SEBI Circular CIR/MIRSD/3/2013 dated March 15, 2013 which, *inter-alia*, includes information pertaining to event of any default in payment of interest or redemption amount and non-cooperation by the issuer company with respect to furnishing required information.

2. It is clarified that the DTs shall have adequate systems to ascertain the status of payment of interest/ principal by issuer companies on due dates in timely manner and efficiently share such information with the CRAs in order to comply with the abovementioned provisions, which shall include the following:
 - i) The DTs shall, at least 7 days prior to the due date of interest/ principal payment, seek ISIN-wise information from issuer companies under intimation to CRAs advising them to confirm the status of payment of interest/ principal on or before the due date.
 - ii) If the issuer company confirms the status of payment or where no information is received from the issuer company on or before the due date, the DTs shall accordingly provide ISIN-wise information to the CRAs latest by one day after such due date which shall state the following:
 - a) Information about payment made on or before the due date or;

- b) Information about delay/ default in payment or;
 - c) No information forthcoming from the issuer company on the payment status.
- iii) In cases where the CRAs have been informed as per point no. 2(ii) above that no information is forthcoming from the issuer company on the payment status, the DTs shall update the payment status to CRAs as and when any such information is available with the DTs.
3. In addition to above, it is reiterated that the DTs shall also ascertain the status of payment by the Issuer Company on the due dates from various sources available at their disposal which, *inter alia*, include the websites of stock exchange & Issuer Company, debenture holders and quarterly reports submitted by Issuer Companies.
4. The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 require the listed entity to submit a certificate to the stock exchange within two days of the interest or principal of the listed debt securities becoming due that it has made timely payment [*Regulation 57(1)*] and the DT Regulations mandate the DTs to exercise due diligence to ensure compliance by the body corporate, with the provisions of the Companies Act, the listing agreement of the stock exchange or the trust deed [*Regulation 15(1)(i)*].

In this regard, it is clarified that the DTs in their communication to the Issuer Companies as mentioned in point no. 2(i) above shall inform them that non-furnishing of information regarding status of payment by due date or non-disclosure of information with respect to timely payment by them on stock exchange website may be considered as suppression of material information and may attract provisions of Section 12A of the Securities and Exchange Board of India Act, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

5. The DT Regulations also mandates that the DTs shall not make untrue statement or suppress any material fact in any documents, reports, papers or information furnished to the Board [*Clause 19 of Code of Conduct read with Regulation 16*] and adequate disclosures are made to the debenture holders, in a comprehensible and timely manner so as to enable them to make a balanced and informed decision [*Clause 15 of Code of Conduct read with Regulation 16*].

It is clarified that if no information regarding payment by Issuer Company is received by the DTs by due date or such information is not disclosed by the issuer company on the stock exchange website, then, the DTs shall make reference to SEBI accordingly and disclose the non-availability of such information on their website. It is further clarified that failure to make such reference to SEBI in this regard and non-disclosure on its website shall be considered as aiding and abetting the issuer company in suppression of material information and may attract provisions of Section 12A of the Securities and Exchange Board of India Act, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

6. The Regulation 15(1)(a) of the DT Regulations requires the DTs to call for periodical reports from the body corporate. In order to make the quarterly reports by the issuer

companies available to the DTs on timely basis, it is clarified that the DTs shall call for periodical status/ performance reports from the issuer company within 7 days of the relevant board meeting or within 45 days of the respective quarter whichever is earlier.

7. In terms of SEBI Circular MIRSD/DPS III/Cir- 11/07 dated August 6, 2007, the DTs shall disclose the information to the investors and the general public by issuing a press release regarding default by Issuer Company to pay interest on debentures or redemption amount, failure to create a charge on the assets and revision of rating assigned to the debentures. Further, such information shall also be placed on the website of the DT, the issuer company and the stock exchanges. It is clarified that such actions shall be taken by the DT promptly and in any case not later than next day of the occurrence of such events.
8. The Stock Exchanges are advised to disclose the information submitted by the DTs as mentioned in point no. 7 above immediately on its website on receipt of such information from the DTs.
9. The DTs shall report compliance of the provisions of this circular in the Half Yearly Report which are required to be submitted by them to SEBI as per Circular CIR/MIRSD/25/2011 dated December 19, 2011.
10. 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 market.
11. This circular is available on SEBI website (www.sebi.gov.in) under the categories "Legal" and "Circulars".

Yours faithfully,
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