

Consultation Paper
Capping of ISINs for Corporate Bonds

1. Background

- a. With a view to boosting liquidity in corporate bonds, SEBI, vide circulars dated June 30, 2017 and March 28, 2018 on consolidation and re-issuance of debt securities ("ISIN circulars" hereinafter), provided specifications related to International Securities Identification Number (ISINs) for corporate bonds, wherein, it was stipulated that for debt listed entities, the maximum number of ISINs that could mature in any financial year would be capped at :
 - I. 12 ISINs for plain vanilla debt securities.
 - II. 5 ISINs for structured debt securities/ market linked debt securities.
 - III. An issuer issuing only structured/market linked debt securities, may utilise the entire bucket of 12 ISINs in a financial year only for structured/market linked debt securities.
 - IV. Additionally, 12 ISINs were allowed for the issuance of the capital gains tax debt securities by the authorized issuers under section 54EC of the Income Tax Act, 1961 on private placement basis.

2. Need to review the restrictions on ISINs

- a. Issuers have represented that capping of ISINs and reissuing bonds in the same ISINs have aided them in better projection of cash flow requirements and thus enabling them to effectively carry out their Asset Liability Management (ALM) requirements. They have also stated that, procedurally, it has also helped in reducing the multiplicity in formalities such as filing of offer documents, creation of ISINs, tracking covenants, etc.
- b. It is observed that in case of Government Securities (G-secs), the outstanding amount per ISIN is very high and a new ISIN is issued only once the outstanding amount in that ISIN reaches a particular threshold. This results in lesser fragmentation and hence enhanced liquidity and traction for G-sec trading.
- c. If number of ISINs per Issuer are limited, fragmentation across various bonds will come down and hopefully, this may lead to enhanced liquidity in the secondary market. The experience in G-secs, in this regard, is quite instructive, where the outstanding amount is very high.

3. Utilization of ISINs post applicability of ISIN circular .i.e. July 01, 2017 onwards

- a. In order to analyse the ISIN utilisation by Issuers of corporate bonds, data pertaining to ISINs issued on or after the date of the circular i.e. July 01, 2017 was analysed. Data of ISINs maturing over the next 10 years is presented below:

Table 1: ISINs maturing in case of plain vanilla debt securities

No. of ISINs maturing	No. of Issuers per year										
	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
1 to 6	164	221	275	149	124	54	76	72	78	65	38
7 to 10	8	19	15	6	1	1	1	4	1	3	0
11 to 12	0	6	2	0	0	0	0	0	0	0	0

- b. From the above table, it can be observed that:
- A majority of Issuers have maximum 6 ISINs maturing in a given financial year;
 - The number of Issuers who have 11 to 12 ISINs maturing in a given financial year is negligible, while there are few issuers with ISINs maturing in the range of 7-10.

Table 2: ISINs maturing in case of structured debt securities

No of ISINs maturing	No. of Issuers per year										
	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
1 to 5	33	62	50	16	5	5	4	4	4	1	0
6 to 12	1	2	3	0	0	0	0	0	0	0	0

- c. From the above table, it can be observed that majority of Issuers have 1 to 5 ISINs maturing, while there are negligible number of Issuers with 6 to 12 ISINs maturing in a given financial year.

Table 3: ISINs maturing in case of Capital gains tax debt securities issued under 54EC of the Income Tax Act 1961 on private placement basis:

No of ISINs	No. of Issuers per year										
	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
1 to 6	NIL										
7 to 12											

d. From Tables 1 to 3, it is observed that:

- i. Majority of Issuers of plain vanilla debt securities have utilised maximum 6 ISINs;
- ii. In case of Issuers of structured debt securities/MLDs, the maximum number of ISINs utilised is 5; and
- iii. There are no Issuers with listed debt securities issued under 54EC of the Income Tax Act, 1961.

4. Proposal

Given that Issuers are presently not utilizing even half of the maximum ISINs allotted to them, it is felt that further capping of ISINs will not only reduce the fragmentation across the bond market and enhance liquidity premium but also help both Issuers and Investors alike.

It is, therefore, proposed to further restrict the number of ISINs maturing per financial year for corporate bonds issued on private placement basis in the following manner:

1. 6 ISINs each for plain vanilla debt securities;
2. 5 ISINs for structured debt securities; and
3. 6 ISINs for the capital gains tax debt securities by the authorized issuers under section 54EC of the Income Tax Act 1961.

Public Comments

Considering the implications of the said matter on the market participants including the issuers, public comments are invited. The comments/suggestions may be provided as per the format given below:

Name of the person/entity proposing comments:			
Name of the organization (if applicable):			
Contact details:			
Category: whether market intermediary/ participant (mention type/ category) or public (investor, academican etc.)			
Sr.No.	Issues	Proposals/ Suggestions	Rationale

Kindly mention the subject of the communication as "Comments on Consultation Paper for Review of capping of ISINs for Corporate Bonds"

Comments in aforesaid format may be sent to the following, latest by **November 21,2021**:

a. By email: pradeepr@sebi.gov.in, chaitalik@sebi.gov.in, kirand@sebi.gov.in
or

b. By post: to the following address-

Pradeep Ramakrishnan, General Manager,
Department of Debt & Hybrid Securities - Division One
Securities and Exchange Board of India,
SEBI Bhavan, C4-A, G-Block, Bandra Kurla Complex, Bandra (East),
Mumbai - 400051

Issued on: October 22, 2021