



भारतीय प्रतिभूति
और विनियम बोर्ड
**Securities and Exchange
Board of India**

DEPUTY GENERAL MANAGER
MARKET INTERMEDIARIES REGULATION &
SUPERVISION DIVISION-5
TEL: 26449000 Fax: 26449021

MIRSD-1/AAMS/IG/OW/.....31279...../2014
November 03, 2014

The Managing Director
Almondz Global Securities Limited
F-33/3 Okhla Industrial Area Phase - II
New Delhi - 110020

Dear Sir,

Sub: Request for "Interpretive letter" under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 by M/s. Almondz Global Securities Limited.

- 1.0 This has reference to your letter dated July 07, 2014 and subsequent clarifications sought vide letters dated September 03, 2014 and October 08, 2014 requesting for interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 (hereinafter referred as Scheme).
- 2.0 In the aforesaid letters under reference it is *inter alia* represented as follows:-
 - A. Almondz Global Securities Limited (hereinafter referred to as AGSL) is a company incorporated under the Companies Act, 1956 and registered as a Stock Broker under Section 12 of the Securities and Exchange Board of India Act, 1992.
 - B. On 6th June, 2008, SEBI notified Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 which are applicable to (a) public issue of debt securities and (b) listing of debt securities issued through public issue or on private placement basis on a recognized stock exchange.
 - C. Chapter III of the aforesaid Regulations deals with the conditions for listing of debt securities issued on private placement basis.
 - D. The scope of activities while handling any issue of debt securities offered on private placement basis *inter alia* include the following:
 - i. Assisting the issuer company in finalizing the pricing & structure of the instrument.

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सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in



अनुवर्ती:
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- ii. Pre-market the debt issuances (Bonds / Non Convertible Debentures) to specific set of investors which generally include institutional investors like banks, mutual funds, insurance companies, primary dealers, FIs, financial institutions, super annuation funds, retirement funds, pension funds etc.
- iii. Assessing the demand for debt issuances (Bonds / Non Convertible Debentures) in the market on the basis of pre-market.
- iv. Circulation of information memorandum to specific set of institutional investors after informing the issuer company.
- v. Regular follow-up with institutional investors for investment in the debt issuances.
- vi. Coordination with institutional investors & issuer company for fund transfer and allotment.
- vii. Chapter II of Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 relates to Issue Requirements for Public Issues.
- viii. Regulation 4(3) in Chapter II of Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 stipulate that the Issuer shall appoint one or more merchant bankers registered with the Board atleast one of whom shall be a lead merchant banker.
- ix. Whereas Listing of Debt Securities issued on private placement basis does not specify any such conditions.

3.0 In view of the above submissions, guidance was sought on the following issues:

- i. Whether AGSL, as a stock broker, can handle any issue of debt securities offered on private placement basis?
- ii. Whether Regulation 4(3) of the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 also applies to issue of debt securities on private placement basis. If not, then whether any broker can handle issue of debt securities offered on private placement basis?

SEBI comments:

4.0 Without necessarily agreeing with the above, following are the views on the issues raised in the letters under reference:



अनुवर्ती :
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- A. Rule 8 (1)(f) of the Securities Contracts (Regulation) Rules, 1957 prohibits a stock broker from being engaged as principal or employee in any business other than that of securities except as a broker or agent not involving any personal financial liability.
- B. As per Securities and Exchange Board of India (Merchant Banker) Regulations, 1992, merchant banker means any person who is engaged in the business of issue management either by making arrangements regarding selling, buying or subscribing to securities or acting as manager, consultant, adviser or rendering corporate advisory service in relation to such issue management. Further, vide SEBI RMB Circular No. 1 (98-99), dated June 05, 1998 the activities of a merchant banker were specified. Accordingly, above mentioned activities can be performed by a registered merchant banker.
- C. It may be noted that AGSL is registered with SEBI as a merchant banker (SEBI Registration No. INM000000834). However, vide Order dated March 21, 2014 passed by SEBI in the matter of PG Electroplast Limited, AGSL has been prohibited from taking up any new assignment or involvement in any new issue of capital including an IPO, follow on issue etc, from the securities market in any manner whatsoever for a period of five years. In addition to the above, vide Order dated April 11, 2014 passed by SEBI the matter of Bharatiya Global Infomedia Limited the certificate of registration of AGSL, as a Merchant Banker, has been suspended for a period of six months.
- D. In the present case, the activities specified by AGSL are in nature of activities carried out by a merchant banker, therefore, AGSL (Stock Broker) cannot perform the above mentioned activities.
- 5.0 This position is based on the representation made to the Department vide letters mentioned above. Different facts or conditions might require a different result. This letter does not express a decision of the Board on the questions referred.
- 6.0 You may note that the above view are expressed only with respect to the clarification sought on the provisions referred by you in your aforesaid letters and do not affect the applicability of any other law or Regulations administered by SEBI or any other authority.

Yours faithfully,

Medha Sonparote
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