

## **FREQUENTLY ASKED QUESTIONS (FAQs)**

### **SEBI Circular No. CIR/IMD/DF1/48/2016 dated April 21, 2016 with regards to Electronic book mechanism for issuance of debt securities on private placement basis**

**Disclaimer:** These FAQs are prepared with a view to guide market participants on Electronic book mechanism for issuance of debt securities on private placement basis ("EBP Circular"). For full particulars of lawsgoverning the abovementioned circular, please refer to the Acts/ Regulations/Guidelines/ Circulars, etc. appearing under the Legal Framework Section of SEBIwebsite i.e. [www.sebi.gov.in](http://www.sebi.gov.in). Any queries about the EBP Circular can be addressed to the Investment Management Department- Division of Funds 1, SEBI, Mumbai. For an interpretation of a specific provision of the Regulations, informal guidance may be sought in terms of SEBI (Informal Guidance) Scheme 2003.

#### **1. Who is an Electronic Book Provider (EBP)?**

EBP is a web based portal for online bidding of private placement of debt securities which are proposed to be listed on exchanges. This service shall be provided by recognised Stock Exchanges. As of now, NSE and BSE are approved to provide this service.

#### **2. What is Private Placement?**

Any offer of securities or invitation to subscribe securities to a select group of persons by a company (other than by way of public offer) through issue of a private placement offer letter and which satisfies the conditions specified in Section 42 of the Companies Act, 2013 including the condition that company offers or invitation is made to not more than 200 persons (excluding QIB's and employees offered securities under ESOP) in a financial year. The issuer issuing such securities through EBPs shall comply with relevant acts of Companies Act, 2013 and rules made thereunder.

#### **3. What is PPM?**

PPM (Private Placement Memorandum) is a document which gets circulated to eligible bidders which contains all the information except exact amount to be raised and the coupon details.

#### **4. What should be the minimum amount of bid size?**

The minimum amount of bid size shall be equal to or more than the amount as specified by the issuer in the PPM subject to the relevant provisions of Companies Act, 2013.

#### **5. Is it compulsory to use electronic book mechanism for all private placement of debt securities of Rs. 500 crore and above in primary market?**

- Yes. As per SEBI circular CIR/IMD/DF1/48/2016 dated 21 April, 2016 electronic book mechanism would be mandatory for all private placements of debt securities in primary market with an issue size of Rs. 500 crore and above. This shall include green shoe option, if any. However, the said

mechanism is voluntary in case of issue size being below Rs.500 crore, inclusive of green shoe option, if any.

- The requirement of using electronic book mechanism shall also be applicable for those tranche issue(s) which individually may be less than Rs 500 crore, however is/ are part of a shelf offer, which including green shoe option, is more than Rs 500 crore in a financial year.
- Further, in case, the issuer comes with multiple issues in a financial year which are individually less than Rs. 500 crore however, the aggregate issue size in the same year crosses Rs.500 crore, in such scenario, issuer shall use EBP mechanism for any incremental private placement which takes aggregate issue size in the year equal to Rs.500 crore or above.
- The above said conditions shall be applicable to all the issues made after July 01, 2016.
- Further, under the electronic book mechanism, it is voluntary for those issues of debt securities which are below Rs.500 crore in a financial year and such issues which have a single investor and where the coupon rates are fixed. However arrangers acting as underwriters shall not be considered as single investors in these cases.

**6. For issue size below Rs.500 crore, is it compulsory to upload details of allotment to EBP?**

For issues below Rs.500 crore, issuer shall upload details as mentioned in Clause 8.15 of the EBP Circular with all EBPs, till the time a consolidated repository for such issuances is notified.

**7. Will the provision of this circular be applicable for structured products?**

No. Currently the provisions of the circular are applicable only for the private placement of Non-convertible debentures which is issued and proposed to be listed as per SEBI (Issue and Listing of Debt Securities) Regulations, 2008 and not to the structured products as defined in the SEBI circular Cir. /IMD/DF/17/2011 dated September 28, 2011.

**8. Whether issuers can use Uniform or Multiple price method for allotment?**

Yes, it is at the discretion of the issuer subject to disclosure of such mechanism in the PPM.

**9. Whether issuers can use the platform of the re issuance of the debt securities?**

Yes.

**10. Are issuers obligated to mention the Green Shoe option in Private Placement Memorandum (PPM)?**

Yes, if issuers intend to exercise green shoe option, shall compulsorily disclose the same in their PPM along with the minimum issue size. Further, there may be two scenarios:

- In case, the issue is open for just one day, the issuer may choose to indicate the exact green shoe amount.

- In case of substantially large issue, there may be a portion of green shoe option which remain unsubscribed on the same day. In such case, the issue may remain open for more than one day up to two to three days. However, the issuer shall indicate in the PPM, the green shoe amount in such issue along with no. of days up to which the issue would remain open. Whether an issue is substantially large or not, the same shall be determined by EBPs in consultation with the issuers.

#### **11. Who can act as an arranger?**

Merchant Bankers, RBI registered Primary Dealers or any other SEBI registered intermediaries as notified by SEBI from time to time, may act as the arranger.

#### **12. Who are bidders/participants in Electronic Book mechanism?**

- I. The bidders/participants in Electronic Book Mechanism are arrangers, sub-arrangers and Institutional Investors, HNIs as defined in the EBP circular.
- II. The eligible bidders/participants in Electronic Book Mechanism shall be identified as follows:
  - a. Such bidders/ participants shall first get enrolled with the EBP (this is a one-time exercise where the enrolment with EBP is valid till the time such enrolment is annulled or rescinded).
  - b. Subsequently, for participating in any particular bid, the bidders/participants (other than QIBs) shall be identified as eligible bidder/participant. Such bidders/ participants shall pre-register for the particular issue and in case of preregistrations exceeding 200 in a year (cumulatively across all the issues of a particular issuer), determination of eligible bidder shall be in terms of the clause 8.4 of the EBP circular.
  - c. However, for QIBs which are enrolled with an EBP, the requirement of being identified as eligible bidder/participant for any particular issue is not applicable as they become eligible bidder/participant automatically. Further, QIB have an option to either bid directly or through arranger. (Refer clause 8.4 of the EBP circular).
- III. For a participant which acts/proposes to act as arranger or sub-arranger and bids on behalf of other participants or bids on proprietary basis or both, following shall be followed:
  - a. Such a participant shall get enrolled with EBP and be appointed as an arranger by the issuer.
  - b. The participants on behalf of whom the arranger/sub-arranger places bid shall also be enrolled with the EBP and shall be identified as eligible bidders (refer point 10(ii)(b) above).
- IV. In addition to above, if a QIB/ Institutional investor/ HNIs who has/have not been enrolled with EBP but have been identified by the issuer to participate in a particular issue, may enter their bids through arranger(s)/sub-arranger(s), which is/are enrolled with the EBP. However, such participants shall get enrolled with EBP prior to allotment in such issue.

**13. Who will be responsible for the KYC?**

- The Arrangers and the Sub-Arrangers who enter bids on behalf of an eligible bidder/ participant will need to ensure that the necessary KYC is completed by them before placing the bids on the platform.
- In case of institutional investors that directly access the EBP platform, the KYC can be obtained by the EBP from intermediaries which are registered with KRAs such as DPs, etc.

**14. Who has access to the issue specific information?**

Once the issue is set-up by the issuer,

- i. in case of QIBs, all the QIBs enrolled with the EBP would be able to access the issue specific information.
- ii. all the Non-QIBs which are identified as eligible bidders shall be able to access such information.

**15. How does bidder ensure that the bid has been successfully entered?**

An acknowledgement number will be generated against each bid entered by the participant to identify the bidding details inputted by them.

**16. What is a consolidated bid and who can place these bids?**

The Arranger has an option to put consolidated bids on behalf of bidders/ participants, however these bidders/ participants shall be identified as eligible bidders/ participants in terms of the EBP Circular. Further, Arranger's proprietary bids can also form part of the consolidated bids along with bids on behalf of eligible bidders/ participants.

**17. Will the bidder be able to modify/ cancel the bid?**

Yes, the bidder may modify/ cancel the bid during the bidding period.

**18. Will the bid details be displayed by EBP?**

EBP at the end of bidding time window, shall only on an anonymous basis only, disclose the aggregate volume data providing yield/price, amount of bids including the amount of over-subscription, total bids received, rating and category of bidders/ participants.

**19. Will the details be available on EBP website post allotment?**

EBP shall upload on its website details like coupon rate, yield, credit rating, category of bidders/ participants, amount raised etc. However, such details shall be disclosed on anonymous basis.