



# atharv

March 2024

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Basilstone Consulting is pleased to present to you the **March 2024** issue of **atharv**, covering regulatory insights as well as discussion papers. This issue covers the following areas:

## **I. Regulatory Updates and their Expected Impact:**

### **I.1. Securities & Exchange Board of India**

- I.1.1. Audiovisual (AV) representation of disclosures made in the Public Issue Offer Documents.
- I.1.2. Entities allowed to use e-KYC Aadhaar Authentication services of UIDAI in Securities Market as sub-KUA.
- I.1.3. Amendment to Circular for mandating additional disclosures by FPIs that fulfil certain objective criteria.
- I.1.4. Safeguards to address the concerns of the investors on transfer of securities in dematerialized mode.
- I.1.5. Introduction of Beta version of T+0 rolling settlement cycle on optional basis in addition to the existing T+1 settlement cycle in Equity Cash Markets.
- I.1.6. Measures to instill trust in securities market – Expanding the framework of Qualified Stock Brokers (QSBs) to more stock brokers.

### **I.2. Reserve Bank of India**

- I.2.1. Circular on Investments in Alternative Investment Funds (AIFs)
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### **I.3. International Financial Services Centres Authority**

- I.3.1. Clarifications in relation to Fund Management Entities and Schemes set up in IFSCs by Sovereign Wealth Funds
- I.3.2. IFSCA Strengthens AML/CFT Controls with Mandatory FINNET 2.0 Registration for Regulated Entities

## **Discussion Papers**

**Listing Debentures Through the Electronic Bond Platform (EBP): A Game-Changer for Debt Issuance in India**

## I. Regulatory updates & it's expected impact

### I.1. Securities & Exchange Board of India

#### I.1.1 Audiovisual (AV) representation of disclosures made in the Public Issue Offer Documents.

- a. Disclosure Enhancement: DRHP and RHP information for public issues will be available in Audio Visual (AV) format, initially bilingual (English and Hindi), prepared by Lead Manager.
- b. Content Guidelines: AV content must comply with SEBI's advertisement code, include a disclaimer, limit duration to 8 mins, distribute content evenly across key sections, and remain factual and non-promotional.
- c. Publication Requirements: AV must be published within 5 working days of DRHP submission, on Issuer/Lead Manager digital platforms and (Association of Investment Bankers of India) AIBI's social media.
- d. Accessibility Measures: AV web link to be available on Stock Exchanges' and Lead Managers' websites, accessible via QR code.
- e. Joint Responsibility: Lead Managers share responsibility for AV content accuracy and information.

#### Impact:

This move aims to improve investor awareness by providing vital public issue information in an easily understandable AV format, reducing reliance on unauthorized sources. It enhances transparency and compliance by aligning with SEBI guidelines. However, Lead Managers face increased accountability for ensuring accurate and informative content, potentially impacting their due diligence processes and resource allocation.

#### I.1.2 Entities allowed to use e-KYC Aadhaar Authentication services of UIDAI in Securities Market as sub-KUA.

- a. Aadhaar-based e-KYC: SEBI's Master Circular outlines provisions for Aadhaar-based e-KYC process and e-KYC Authentication for Resident Investors under PMLA, 2002.
- b. Notification of Entities: Ministry of Finance notified 155 entities on July 13, 2022, and 39 entities on Jan 30, 2023, for Aadhaar authentication service under PMLA, 2002, listed in SEBI Master Circular.
- c. Additional Notification: On March 14, 2024, Ministry of Finance notified 4 more entities for Aadhaar authentication services under PMLA, 2002.



- d. Compliance Requirement: Newly notified entities must adhere to SEBI's circular dated Oct 12, 2023, and comply with UIDAI-prescribed processes. KUAs facilitate their onboarding as sub-KUAs for Aadhaar authentication services.

**Impact:**

The incorporation of additional entities for Aadhaar authentication services expands the framework for e-KYC processes in the securities market, enhancing efficiency and compliance. However, entities must ensure strict adherence to SEBI guidelines and UIDAI-prescribed procedures to maintain the integrity and security of KYC processes, mitigating potential risks associated with identity verification.

**1.1.3 Amendment to Circular for mandating additional disclosures by FPIs that fulfil certain objective criteria**

- a. Additional FPI Disclosures: SEBI mandated extra disclosures for FPIs meeting specified criteria in Circular No. SEBI/ HO/ AFD/ AFD-PoD-2/CIR/P/2023/148 dated August 24, 2023.
- b. Exemption Criteria Expansion: FPIs with over 50% of Indian equity AUM in a corporate group are exempt from additional disclosures if specific conditions are met, including apex company lacking an identified promoter and composite FPI holdings in the apex company staying below 3%.
- c. Monitoring and Action: Custodians and Depositories will monitor apex company holdings, making information public if the 3% limit is met or breached; FPIs exceeding 50% concentration must realign or make additional disclosures within 10 trading days if the 3% cumulative limit persists.
- d. Compliance Deadline and Clarification: FPIs meeting exemption conditions by March 12, 2024, are relieved from non-disclosure consequences specified in the circular dated August 24, 2023.
- e. Process Framework: Implementation procedures will be developed by the Custodians and DDPs Standards Setting Forum, adopted by all DDPs/Custodians, in consultation with SEBI.

**Impact:**

SEBI's amendments aim to streamline FPI disclosures, providing exemptions for certain holdings within corporate groups while maintaining transparency through monitoring and compliance mechanisms, fostering efficiency and clarity in FPI regulatory frameworks.



#### 1.1.4 Safeguards to address the concerns of the investors on transfer of securities in dematerialized mode

- a. SEBI revised Para 1.12 of the Depositories Master Circular to strengthen protections against unauthorized transfers of securities, addressing concerns raised by investors regarding the security of their holdings within dematerialized accounts.
- b. Emphasis on investor education: Depositories are tasked with educating investors on the importance of carefully preserving their Delivery Instruction Slips (DIS), advising them against leaving blank or signed DIS with Depository Participants (DPs) or any other entity.
- c. Prohibition of pre-signed DIS: DPs are prohibited from accepting DIS with blank columns that are pre-signed by Beneficial Owners (BOs), reducing the risk of fraudulent transactions initiated through pre-authorized instruments.
- d. Procedure for lost/stolen DIS booklets: BOs are required to promptly notify DPs in writing if their DIS booklet is lost, stolen, or not traceable. DPs must then cancel any unused DIS in the lost booklet and issue a new booklet based on complete DIS instruction requests, ensuring proper documentation and authorization.
- e. Limit on loose DIS issuance: DPs are restricted to issuing a maximum of 10 loose DIS per account holder annually. Loose DIS can only be provided if BOs appear in person and sign them in the presence of an authorized DP official, preventing unauthorized use of unsigned DIS.
- f. Enhanced signature verification and cross-checking: DPs must implement robust checks and balances for verifying BO signatures while processing DIS, ensuring the authenticity of instructions and reducing the likelihood of fraudulent transactions.
- g. Mandatory verification for certain transactions: Verification with BOs becomes mandatory for specific transactions, especially in inactive/dormant accounts or accounts with multiple securities transfers at once, enhancing security measures and mitigating risks associated with dormant accounts.
- h. Depositories are instructed to amend relevant bye-laws, rules, and regulations promptly, notify DPs of the changes, disseminate information on their websites, and monitor compliance with the new provisions. Status updates on implementation must be reported to SEBI in the Monthly Development Report, ensuring regulatory oversight and enforcement of the revised safeguards.

**Impact:**

These amendments bolster security measures for demat accounts, mitigating risks of unauthorized transfers and fraud, thus enhancing investor confidence and trust in the securities market infrastructure.

### 1.1.5 Introduction of Beta version of T+0 rolling settlement cycle on optional basis in addition to the existing T+1 settlement cycle in Equity Cash Markets

- a. This decision reflects the continuous evolution of market infrastructure and aims to leverage technological advancements to further streamline clearing and settlement processes in the securities market.
- b. All investors are eligible to participate in the T+0 settlement segment provided they can adhere to the prescribed timelines, processes, and risk requirements set by Market Infrastructure Institutions (MIIs).
- c. The surveillance measures applicable in the T+1 settlement cycle will also apply to scrips traded in the T+0 settlement cycle, ensuring market integrity and regulatory compliance.
- d. Trading sessions will be consolidated into a single continuous session from 09:15 AM to 1:30 PM, optimizing trading opportunities within a streamlined timeframe. The T+0 segment will operate within a price band of +100 basis points from the price in the regular T+1 market, with adjustments made after every 50-basis points movement in the underlying T+1 market.
- e. Prices from the T+0 segment will not be factored into index calculations or settlement price computations, maintaining consistency and accuracy in market benchmarks. There will be no netting of pay-in and pay-out obligations between T+1 and T+0 settlement cycles, ensuring clear delineation and accountability in settlement processes.

**Impact:**

The introduction of the T+0 settlement cycle signifies a significant advancement in market infrastructure, offering potential benefits such as reduced settlement times, enhanced transparency in charges to investors, and strengthened risk management practices at clearing corporations.

### 1.1.6 Measures to instill trust in securities market – Expanding the framework of Qualified Stock Brokers (QSBs) to more stock brokers.

- a. SEBI, through circular SEBI/HO/MIRSD-PoD-I/P/CIR/2023/24 dated February 06, 2023, expanded the criteria for designation of Qualified Stock Brokers (QSBs), incorporating parameters like compliance score, grievance redressal score, and proprietary trading volumes alongside existing parameters.
- b. Stockbrokers meeting specified thresholds on these parameters will be identified as QSBs, with the revised list released annually by stock exchanges jointly with SEBI. Those falling out of the QSB list will still adhere to enhanced obligations for an additional three financial years, as specified by Market Infrastructure Institutions (MIIs).



- c. Additionally, a provision is made for stockbrokers to voluntarily opt for QSB status, encouraging compliance culture and broader adoption of enhanced responsibilities.

**Impact:**

The inclusion of additional parameters like compliance score and grievance redressal score enhances regulatory oversight and strengthens investor protection measures. Facilitating voluntary designation as QSBs incentivizes stockbrokers to adhere to enhanced obligations, potentially fostering a culture of compliance and improving overall market integrity.

**1.2. Reserve Bank of India**

**1.2.1. Circular on Investments in Alternative Investment Funds (AIFs)**

The Reserve Bank of India on 27th March 2024 issued advisory and clarification with respect to its earlier issued Circular on Investments in Alternative Investment Funds (AIFs) (Dated 19th December 2023).

Clarification on Downstream Investments:

**Reference from Previous Circular:**

*2(i) REs shall not make investments in any scheme of AIFs which has downstream investments either directly or indirectly in a debtor company of the RE.*

*Explanation: The debtor company of the RE, for this purpose, shall mean any company to which the RE currently has or previously had a loan or investment exposure anytime during the preceding 12 months.*

1. The definition of "downstream investments" is narrowed. It no longer includes investments in equity shares held by the AIF in the RE's borrower company. This allows REs to invest in AIFs that hold equity in their existing borrowers.
2. However, all other investments by the AIF are still considered downstream investments. This includes hybrid instruments (combining debt and equity features).

**Provisioning Requirements Revised:**

**Reference from Previous Circular:**

*2(iii) In case REs are not able to liquidate their investments within the above-prescribed time limit, they shall make 100 percent provision on such investments.*

1. Proportionate Provisioning: REs are now required to make provisions for the portion of their AIF investment that goes directly or indirectly (through hybrid instruments) to their existing borrowers. This significantly reduces the



provisioning burden compared to the previous rule that required provisions on the entire AIF investment.

### Applicability of Paragraph 3:

#### Reference from Previous Circular:

3. In addition, investment by REs in the subordinated units of any AIF scheme with a ‘priority distribution model’ shall be subject to full deduction from RE’s capital funds.

*Explanation: ‘Priority distribution model’ shall have the same meaning as specified in the SEBI circular SEBI/HO/AFD-1/PoD/P/CIR/2022/157 dated November 23, 2022.*

1. Paragraph 3, now only applies when the AIF truly has no downstream investment (including equity) in the RE's borrower company. If the RE has investment in subordinated units of an AIF scheme, which also has downstream exposure to the debtor company, then the RE shall be required to comply with paragraph 2 of the Circular.
2. Subordinated Units Definition: The circular clarifies that "investment in subordinated units of an AIF scheme" includes all forms of subordinated exposures, including sponsor units (special units with lower rights but potentially higher returns).
3. Capital Deduction Split: any required deduction from capital will be made equally from both Tier-1 and Tier-2 capital of the RE.
4. Intermediary Investments Excluded: The circular doesn't apply to RE investments in AIFs made through intermediaries like fund-of-funds or mutual funds.

This revised circular offers REs more flexibility in investing in AIFs while still aiming to prevent practices that could mask financial risks. It clarifies the rules, reduces provisioning burdens in some cases, and defines the scope of applicability.

#### **Impact:**

This revised circular offers REs more flexibility in investing in AIFs while still aiming to prevent practices that could mask financial risks. It clarifies the rules, reduces provisioning burdens in some cases, and defines the scope of applicability.

### **1.2.2. Omnibus Framework for recognising Self-Regulatory Organisations (SROs) for Regulated Entities (REs) of the Reserve Bank of India**

The Reserve Bank of India (RBI) established a new framework to strengthen self-regulatory organizations (SROs) in the financial sector. These industry-led bodies will play a more active role, promoting compliance, innovation, and fair practices. The





framework prioritizes supporting smaller players and fostering a culture of responsible growth through research and development.

The RBI positions SROs as key partners, aligning industry practices with regulations. This collaboration aims to boost compliance, safeguard stakeholders, and fuel innovation. SROs will be required to report violations swiftly and maintain open communication with the RBI. This ensures proactive and effective oversight, minimizing risks for a stable financial environment.

### **The Role and Responsibilities of an SRO (Self-Regulatory Organization)**

An SRO plays a critical role in fostering a healthy and sustainable environment within its sector:

1. **Authority and Governance:** An SRO derives its power from its members, allowing it to establish and enforce ethical, professional, and governance standards. Strong governance structures are essential, including an independent board, transparent processes, and adherence to defined procedures.
2. **Rule-Making and Enforcement:** The SRO should have clear, objective, and consultative processes for creating rules that govern member conduct. This includes enforcing these rules and establishing consequences for violations, such as counselling or reprimands (but not financial penalties).
3. **Compliance Culture:** The SRO actively promotes a culture of compliance among its members, ensuring adherence to regulations set by the relevant authorities.
4. **Dispute Resolution:** A well-defined and transparent mechanism for handling disputes among members is crucial. This often involves an arbitration process that ensures fair and consistent resolutions.
5. **Market Monitoring:** The SRO implements effective surveillance methods to monitor activities within the sector and identify any potential issues.
6. **Ecosystem Development:** The SRO actively works to improve the overall ecosystem of the sector it serves. Standards and best practices developed by the SRO should comply with relevant regulations.

### **The Role and Responsibilities of an SRO**

1. **Promoting a Culture of Compliance:** The SRO fosters a positive environment where members adhere to best practices and regulatory guidelines.



Special support is provided to smaller entities to ensure they are well-equipped. A comprehensive code of conduct sets clear expectations.

2. **Industry Advocacy:** The SRO acts as a unified voice for its members, representing their interests to authorities and regulators. It addresses industry-wide concerns and plays a vital role in the overall health of the financial system. The SRO prioritizes the collective good over individual interests.
3. **Data Sharing and Innovation:** The SRO gathers and shares industry data with regulators to inform policy making. This data is also leveraged to promote innovation within the regulatory framework.
4. **Code of Conduct and Compliance:** The SRO establishes a code of conduct that members must follow. It also monitors adherence to this code and ensures members comply with relevant regulations.
5. **Dispute Resolution and Grievance Redressal:** The SRO establishes a framework for addressing grievances and resolving disputes among members. This includes providing counseling and ensuring efficient, fair, and transparent processes that align with regulations.
6. **Knowledge Sharing and Training:** The SRO promotes awareness of regulations and facilitates the exchange of expertise and experience among members. This may involve training programs and workshops on industry developments.

The SRO acts as a bridge between its members and the regulator. It keeps the regulator informed of industry developments and any member violations. The SRO also completes tasks assigned by the regulator, provides data, and submits reports. Regular communication and cooperation are expected to ensure the smooth functioning of the industry. The regulator maintains oversight by inspecting the SRO's books as needed.

**Impact:**

SROs are expected to contribute to a more professional, innovative, and responsible financial sector in India. However, the success of this initiative will depend on the effectiveness of the SROs themselves and their ability to collaborate effectively with the RBI.

**1.3. International Financial Services Centres Authority**

**1.3.1. Clarifications in relation to Fund Management Entities and Schemes set up in IFSCs by Sovereign Wealth Funds**



The International Financial Services Centres Authority (IFSCA) has issued a clarification addressing challenges faced by Sovereign Wealth Funds (SWFs) seeking to establish Fund Management Entities (FMEs) and Schemes within IFSCs, as per the IFSCA (Fund Management) Regulations, 2022.

**Key Clarifications for SWFs:**

1. **Exemption from Independent Custodian:** Open-ended Restricted Schemes and other schemes with Assets Under Management (AUM) exceeding USD 70 million established by SWFs are exempt from the mandatory appointment of an independent custodian. This reduces administrative burdens and potentially lowers operational costs for SWFs.
2. **Relaxed Office Space Requirements:** The requirement for dedicated office space for FMEs is relaxed. FMEs can now share office space with the scheme trustee (in the form of a trust) as long as their services remain exclusive to the scheme and not offered to third parties. This provides SWFs with greater flexibility in setting up their operations.

**1.3.2. IFSCA Strengthens AML/CFT Controls with Mandatory FINNET 2.0 Registration for Regulated Entities**

The IFSCA has issued a critical circular emphasizing anti-money laundering (AML), counter-terrorist financing (CTF), and Know Your Customer (KYC) compliance for all regulated entities.

**Key Requirements and Compliance Measures:**

1. **Mandatory FINNET 2.0 Registration:** This circular mandates all regulated entities within IFSCs to register on the FIU-IND FINNET 2.0 portal. This central platform facilitates the exchange of information between financial institutions and the Financial Intelligence Unit – India (FIU-IND), enabling effective detection and reporting of suspicious activities.
2. **Legal Framework and Regulatory Backing:** The circular draws its authority from the IFSCA's AML/CFT guidelines, which are aligned with the Prevention of Money Laundering Act, 2002 (PMLA) and its associated Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules).
3. **Clear Responsibilities for Regulated Entities:** The circular clearly outlines the responsibilities of regulated entities regarding AML/CFT and KYC measures,



as mandated by the IFSCA guidelines and relevant legislation. This ensures all participants within the IFSC ecosystem understand their obligations in combating financial crime.

4. **Registration for All Lines of Business:** Entities holding multiple licenses or registrations from IFSCA for different business activities are required to register each line of business on the FINNET 2.0 portal. This comprehensive approach ensures complete transparency and facilitates comprehensive monitoring of financial activities across various sectors.
5. **Updating Registration Information:** Existing entities with multiple licenses must update their FINNET 2.0 registration to reflect all authorized business activities. This ensures the accuracy and completeness of data within the system, enhancing its effectiveness in identifying and reporting suspicious transactions.



## I Discussion Papers

### Listing Debentures Through the Electronic Bond Platform (EBP): A Game-Changer for Debt Issuance in India

In 2016, the Securities and Exchange Board of India (SEBI) launched the Electronic Book Provider (EBP) platform. The Indian capital markets witnessed a significant revolution in 2016 with the introduction of the EBP by SEBI. This digital platform transformed the landscape of private placement debt securities, particularly debentures. Traditionally, issuing and listing debentures involved a time-consuming and opaque process. The EBP route, however, offers a streamlined, transparent, and cost-effective alternative, making it a game-changer for both issuers and investors.

It addressed the need for a more efficient and transparent system, fostering a better price discovery mechanism for these securities. Key changes to the EBP platform framework were introduced via a SEBI circular dated October 10, 2022 (EBP Circular). These modifications came within the ambit of SEBI's "Operational Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper," issued on August 10, 2021.

Understanding the legal framework surrounding EBPs is crucial for both issuers and investors. Function and Benefits: EBPs operate as electronic marketplaces dedicated to debt instruments, primarily corporate bonds. They offer several advantages over traditional methods:

EBPs facilitate a competitive bidding process, leading to a more accurate reflection of market value for the debt securities. The electronic nature of the platform provides an auditable trail of all transactions, fostering transparency throughout the issuance process. EBPs automate tasks and streamline communication, significantly reducing the time and resources required for bond issuances.

The SEBI NCS Regulations, 2021, mandate the use of the EBP platform for specific private placement issuances. This applies to all debt securities and Non-Convertible Redeemable Preference Shares (NCRPS) as defined by the regulations.

#### Mandatory Listing via the EBP Route:

1. **Issuance Size of Rs. 50 Crore or More:** Any single private placement issue, including a green shoe option (an over-allotment clause), exceeding Rs. 50 crore must be conducted through the EBP platform.
2. **Shelf Issues Exceeding Rs. 50 Crore Annually:** Companies planning a shelf issue, where they offer debt securities in multiple tranches throughout a year, are subject to the EBP requirement if the cumulative value of all tranches reaches Rs. 50 crore or more.
3. **Subsequent Issues Following a Rs. 50 Crore Threshold Breach:** If a company has already issued debt securities privately in a financial year, exceeding a total of Rs.



50 crore, then any subsequent private placements in that same year must also be conducted through the EBP platform.

While these scenarios require mandatory use of the EBP platform, companies have the flexibility to utilize it for additional private placement offerings:

1. **Issuances Below Rs. 50 Crore:** The EBP platform remains accessible for issuances less than Rs. 50 crore. This allows companies seeking to raise smaller amounts of capital to leverage the platform's efficiency and wider investor reach, even if not mandated by regulations.
2. **Municipal Debt Securities, Commercial Paper, and Certificates of Deposit:** Issuers of these specific debt instruments can also choose to utilize the EBP platform for their private placements, regardless of the issue size. This provides them with a transparent and efficient alternative to traditional methods.

### Debentures and the Importance of Listing

Debentures are debt instruments issued by companies to raise long-term capital. They represent a loan agreement between the company (issuer) and the investor (debenture holder). Investors receive fixed or floating interest payments on their investment and repayment of the principal amount at maturity. Listing debentures on a recognized stock exchange unlocks several advantages:

1. **Enhanced Liquidity:** Listing debentures on a stock exchange allows them to be readily bought and sold on the secondary market. This increased liquidity attracts investors seeking flexible investment opportunities.
2. **Credibility and Market Visibility:** Listing signifies a company's adherence to stringent listing requirements set by the stock exchange. This bolsters investor confidence and enhances the company's market visibility.
3. **Price Discovery:** Secondary market trading activity helps determine the fair market value of the debentures, providing valuable insights for both issuers and investors.
4. **Improved Access to Capital:** Listing can attract a wider investor base, including institutional investors with a significant appetite for debt instruments. This enables companies to raise larger amounts of capital through debenture issuances.

The EBP platform functions within the regulatory framework established by SEBI, particularly the Issue and Listing of Non-Convertible Securities (NCS) Regulations, 2021. These regulations define the eligibility criteria for issuers and debentures, disclosure requirements, and the overall process for issuance and listing through the EBP. Additionally, specific Stock Exchange Directions issued by recognized stock exchanges further govern the listing process on their respective platforms.

### The EBP process itself is a streamlined series of steps:

**Eligibility and Pre-Issuance Requirements:** Companies seeking to list debentures through the EBP route must meet the eligibility criteria outlined in the NCS Regulations. This typically includes:

1. A minimum net worth as specified by SEBI.
2. A satisfactory track record of financial performance.



3. A credit rating from a SEBI-registered credit rating agency. This rating significantly impacts investor confidence and potentially influences the interest rate offered on the debentures.
4. Appointment of a Debenture Trustee and Registrar.
5. Audited Financial Statements (up to 6 months from the date of issue) by a Peer Reviewed Auditor.

Furthermore, companies must prepare a General Information Documents (Once a Year) and Key Information Document (For Every Subsequent Issue) in accordance with the NCS Regulations. This document outlines the terms and conditions of the debenture issue, including the interest rate, maturity period, security offered (if any), and other relevant details that the Investor should be aware of.

### **EBP Platform Process:**

1. The company submits the required transaction Document (KID and GID) and other necessary documents to the chosen stock exchange for approval. Upon approval, the company receives in-principle listing approval on the EBP platform.
2. Following this, the company announces the issue details and bidding process on the EBP platform. This allows potential investors to access the issue details and submit their bids electronically.
3. The EBP platform facilitates a competitive bidding process where investors compete based on the price they are willing to pay for the debentures. This transparent mechanism helps discover a fair market price for the debentures, benefiting both issuers and investors.
4. The company then allocates the debentures to investors based on predetermined criteria established within the NCS Regulations and Stock Exchange Directions. These criteria often consider a combination of the price offered, investor profile, and overall bid strategy.

**Listing and Settlement:** After successful allocation, the debentures are electronically dematerialized and credited to investor accounts. The company achieves its objective of raising capital, and the debentures are listed on the stock exchange, enabling secondary market trading.

### **Advantages of Listing Debentures Through EBP**

The EBP route offers a multitude of advantages for both issuers and investors compared to the traditional listing process for debentures. Here's a closer look at the key benefits:

#### **For Issuers:**

1. **Enhanced Efficiency:** The EBP platform streamlines the entire process, reducing the time and resources required for issuance and listing compared to traditional methods. This allows companies to raise capital faster and with minimal disruption to their core operations.
2. **Wider Investor Base:** The EBP platform facilitates access to a broader investor base, particularly institutional investors who actively participate in the private



placement market. This can lead to increased demand for the debenture issue, potentially leading to more favorable interest rates and terms for the issuer.

3. **Cost-Effectiveness:** The streamlined process and reduced administrative burden associated with the EBP route generally translate to lower overall issuance costs for companies compared to public issuances.
4. **Improved Price Discovery:** The competitive bidding process on the EBP platform fosters a more transparent price discovery mechanism. This ensures that the debentures are issued at a fair market price, reflecting the current market conditions and investor demand.

#### For Investors:

1. **Increased Investment Opportunities:** The EBP platform provides investors with access to a wider range of debt instruments, including debentures issued by companies with varying credit profiles. This allows investors to diversify their portfolios and potentially achieve their desired risk-return objectives.
2. **Transparency and Efficiency:** The EBP platform offers a transparent and efficient investment process. Investors have access to all relevant information about the debenture issue and can easily submit their bids electronically.
3. **Competitive Bidding:** The competitive bidding process on the EBP platform ensures that investors have the opportunity to acquire debentures at a fair market price.
4. **Improved Liquidity:** Listing on a stock exchange provides debentures with secondary market liquidity. This allows investors to exit their investments before maturity if needed, enhancing the overall attractiveness of debentures as an investment option.

The Electronic Bond Platform (EBP) has emerged as a game-changer for issuing and listing debentures in India. By leveraging technology and robust regulatory frameworks, the EBP route offers a streamlined, transparent, and cost-effective alternative for both issuers and investors. Companies can access a wider investor base and raise capital efficiently, while investors gain access to a diverse range of debt instruments and benefit from a competitive bidding process. As the Indian capital markets continue to evolve, the EBP platform is poised to play a pivotal role in facilitating efficient debt issuance and fostering a vibrant corporate debt market.

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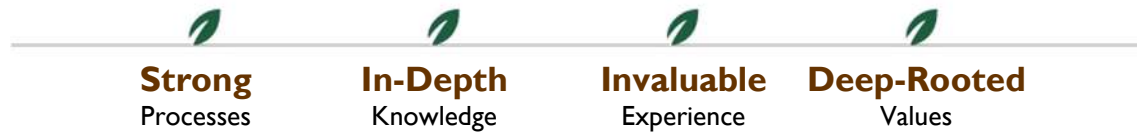


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