



New Disclosure Norms

in the prospectus for

Public Issue of Debt Securities (NCDs)

SEBI vide circular no. CIR/IMD/DF/12/2014 dated June 17, 2014 specified new norms for base issue size, minimum subscription, retention of over-subscription limit and further disclosures in the prospectus for public issue of debt securities. With the new norms issuance under NCDs will be in lines with public issue of equity shares.

Below mentioned is the gist and brief analysis of SEBI's latest stance on public issuance of NCDs:

Norm	Existing norms under SEBI (Issue and Listing of Debt Securities) Regulations, 2008 / Companies Act, 1956 / Companies Act, 2013	New norms issued by SEBI vide circular no. CIR/IMD/DF/12/2014
Minimum subscription requirement for Public Issue of NCDs	Not defined under CA 1956 / CA 2013. However, as per regulation 12 of SEBI (ILDS) Regulations, 2008 issuer may decide the minimum subscription and disclose the same in offer document	<ul style="list-style-type: none"> ❖ Minimum subscription shall be 75% of the base issue ❖ In case minimum subscription is not received, the entire application money to be refunded within 12 days from issue closure. In case of any delay in refund, interest @ 15% p.a. shall be paid for the delayed period
Limits for retention of oversubscription	No specific provisions under SEBI (ILDS) Regulations, 2008	<ul style="list-style-type: none"> ❖ Issuer can retain money upto 100% of base issue size or lower limit specified in Offer Document ❖ In case of shelf prospectus, over subscription up to the rated size can be retained ❖ For Tax Free Bonds, retention can be made of the amount as authorized by CBDT to raise in a year or any lower limited specified in offer document



Base Issue Size	Not defined under CA 1956 / CA 2013 or SEBI (ILDS) Regulations, 2008	Base issue size shall be minimum Rs. 100 crores
Objects to the Issue	<ul style="list-style-type: none"> ❖ Relaxed norms for disclosure of “Objects to the Issue” ❖ Detailed disclosure requirements are not specified in SEBI (ILDS) Regulations, 2008 	<ul style="list-style-type: none"> ❖ Stringent disclosures with respect to “object to the issue” including % of the issue proceeds earmarked for each object. ❖ General Corporate Purpose not to exceed 25% of the amount raised ❖ NBFCs to disclose the lending done by them out of previous issues including lending policy, loans / advances to associates, persons belonging to board, senior management, promoters etc., classification of loans, details of top 10 borrowers and loans etc.
Additional disclosures in prospectus for Debt Issues	Disclosures specified in Schedule II of CA, 1956, Schedule III of Companies Act, 2013 and Schedule I of SEBI ILDS Regulations	Additional disclosures to be made including provisions relating to fictitious applications, disclaimer clause of SEBI, reservation in the issue, utilization of previous issue proceeds, interest of promoters / directors in the issue, material contracts entered in previous 2 years.

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