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EXTRAORDINARY

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SECURITIES AND EXCHANGE BOARD OF INDIA

NOTIFICATION

Mumbai, the 15th of July, 2015

SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE AND LISTING OF DEBT SECURITIES BY MUNICIPALITIES) REGULATIONS, 2015

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No. SEBI/ LAD-NRO/GN/2015-16/006.- In exercise of the powers conferred by Section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), to put in place a framework for public issue of debt securities by municipalities, listing and trading of such securities and matters incidental thereto, the Board hereby makes the following regulations, namely, —

CHAPTER I

PRELIMINARY

Short title and commencement.

1. (1) These regulations may be called the Securities and Exchange Board of India (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015.

(2) These regulations shall come into force on the date of their publication in the Official Gazette.

Definitions.

2. (1) In these regulations, unless the context otherwise requires, the terms defined shall bear the meanings assigned to them below, and their cognate expressions shall be construed accordingly,–

(a) "Act" means the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(b) "advertisement" includes all forms of communication including notices, brochures, pamphlets, show cards, catalogues, hoardings, placards, posters, insertions in newspaper, cover pages of offer documents, pictures, films, etc.,

in any print media or electronic media or social media, radio, television programme;

(c) "Board" means the Securities and Exchange Board of India established under section 3 of the Act;

(d) “corporate municipal entity” means a company as defined under Companies Act, 2013, which is a subsidiary of a municipality and which is set up for the purpose of raising funds for a specific municipality or group of municipalities;

(e) “debt securities” means a non-convertible debt securities which create or acknowledge indebtedness, and include debenture, bonds and such other securities of a municipality, or a corporate municipal entity, whether constituting a charge on the assets of such body or not;

(f) “designated stock exchange” means a recognised stock exchange in which securities of an issuer are listed or proposed to be listed and which is chosen by the issuer as a designated stock exchange for the purpose of a particular issue of debt securities under these regulations;

(g) "general obligation bonds" means debt securities where principal and interest are serviced through tax proceeds of the municipality.

(h) "issuer” means any municipality or a corporate municipal entity, which makes or proposes to make an issue of debt securities in accordance with these regulations or which has its securities listed on a recognised stock exchange or which seeks to list its debt securities on a recognised stock exchange;

(i) "municipality" means an institution of self-government constituted under Article 243Q of the Constitution of India;

(j) "national municipal accounts manual" means the municipal accounting manual formulated by the Ministry of Urban Development;

(k) "offer document” means prospectus or shelf prospectus and includes any such document or advertisement whereby the subscription to debt securities are invited by the issuer from public;

(l) "private placement" means any offer of debt securities or invitation to subscribe to debt securities to a select group of persons by a municipality through issue of a private placement offer letter to not more than two hundred persons, which shall not intend to result in, directly or indirectly, the debt securities becoming available for subscription or purchase by persons other than those receiving the offer or invitation:

Provided that for a corporate municipal entity, it shall mean an offer or invitation made in terms of section 42 of the Companies Act, 2013 and the rules made thereunder, through issue of a private placement offer letter;

(m) “public issue” means an offer or invitation by an issuer to public to subscribe to the debt securities, which is not in the nature of a private placement;

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(n) "revenue bonds" means debt securities which are serviced by revenues from one or more projects;

(o) "schedule" means a schedule annexed to these regulations;

(p) "shelf prospectus" means a prospectus in respect of which the securities or class of securities included therein are issued for subscription in one or more issues over a certain period without the issue of a further prospectus:

Provided that for a corporate municipal entity, it shall have the same meaning as assigned to it in section 31 of Companies Act, 2013;

(q) "specified" means specified by a general or special order or circular issued under the Act or these regulations.

(2) All other words and expressions used but not defined in these regulations, shall have the same meanings respectively assigned to them in the Act or the Companies Act, 2013 or Securities Contracts (Regulation) Act, 1956 or the Depositories Act, 1996 or the Rules and the Regulations made thereunder or any statutory modification or re-enactment thereto.

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Applicability.

3. These regulations shall apply to -

(a) public issue of debt securities; and

(b) listing of debt securities issued through public issue or on private placement basis on a recognised stock exchange.

CHAPTER II
ELIGIBILITY

Eligible municipalities.

4. No issuer shall be eligible to issue debt securities to public under these regulations, unless the following criteria are complied with:

(a) municipality, whether proposing to issue debt securities itself or through corporate municipal entity, should be eligible to raise funds under its constitution;

(b) accounts of municipality shall be prepared in accordance with National Municipal Accounts Manual or in accordance with similar Municipal Accounts Manual adopted by the respective State Government for at least three immediately preceding financial years;

[1][(c) municipality shall have surplus income as per its Income and Expenditure Statement, in any of the immediately preceding three financial years or any other financial criteria as may be specified by the Board from time to time.

[1] Substituted by Securities and Exchange Board of India (Issue and Listing of Debt Securities by Municipalities) (Amendment) Regulations, 2017 w.e.f 15.02.2017. prior to its substitution clause (c) read as under:

Provided that a corporate municipal entity shall not have negative net worth in any of immediately preceding three financial years;

[2][(d) municipality shall not have defaulted in repayment of debt securities or loans obtained from banks or financial institutions, during the last three hundred and sixty five days:

Provided that where the issuer is a corporate municipal entity, the requirements at clauses (b) and (d) shall be complied by the municipality which is being financed;]

(e) no order or direction of restraint, prohibition or debarment by Board against the corporate municipal entity or its directors is in force;

(f) the corporate municipal entity, its promoter, group company or director(s), should not have been named in the list of the wilful defaulters published by the Reserve Bank of India or should not have defaulted of payment of interest or repayment of principal amount in respect of debt instruments issued by it to the public, if any.

CHAPTER III
REQUIREMENTS FOR PUBLIC ISSUE

General conditions.

5. (1) An issuer making public issue of debt securities shall only issue revenue bonds.

(2) No issuer shall make a public issue of revenue bonds unless following conditions are complied with:

(a) it has made an application to one or more recognised stock exchanges for listing of such securities therein:

Provided that where the application is made to more than one recognised stock exchanges, the issuer shall choose one of them as the designated stock exchange:
Provided further that where any of such stock exchanges have nationwide trading terminals, the issuer shall choose one of them as the designated stock exchange;
Explanation.-For any subsequent public issue, the issuer may choose a different stock exchange as a designated stock exchange subject to the requirements of this regulation;

(b) it has obtained in-principle approval for listing of its revenue bonds on the recognised stock exchanges where the application for listing has been made;

"(c) municipality shall not have negative net worth in any of the three immediately preceding financial years; "

[2] Substituted by Securities and Exchange Board of India (Issue and Listing of Debt Securities by Municipalities) (Amendment) Regulations, 2017 w.e.f 15.02.2017. prior to its substitution clause (d) read as under:

"(d) municipality shall not have defaulted in repayment of debt securities or loans obtained from Banks or Financial Institutions, during the last three hundred and sixty five days:

Provided that where the issuer is a corporate municipal entity, the requirements at (b), (c) and (d) shall be complied by the Municipality which is being financed.

Explanation.-For this purpose, the term default means where interest and/ or principal amount has remained overdue for a period of more than ninety days;"

(c) credit rating has been obtained from at least one credit rating agency registered with the Board and is disclosed in the offer document:

Provided that the revenue bonds intended to be issued shall have a minimum investment grade rating:

Provided further that where credit ratings are obtained from more than one credit rating agencies, all the ratings, including the unaccepted ratings, shall be disclosed in the offer document;

(d) it has entered into an arrangement with a depository registered with the Board for dematerialisation of the revenue bonds that are proposed to be issued to the public, in accordance with the Depositories Act, 1996 and regulations made there under.

(3) The revenue bonds shall have a minimum tenure of three years or such period as specified by the Board from time to time.

(4) The revenue bonds shall have a maximum tenure of thirty years or such period as specified by the Board from time to time.

(5) The issuer shall appoint one or more merchant bankers registered with the Board at least one of whom shall be a lead merchant banker.

(6) The issuer shall create a separate escrow account for servicing of revenue bonds with earmarked revenue.

(7) The issuer shall appoint a monitoring agency such as public financial institution or a scheduled commercial bank to monitor the earmarked revenue in the escrow account under sub-regulation (6):

Provided that where the issuer is corporate municipal entity, it shall appoint a debenture trustee registered with the Board in accordance with the provisions of the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993 and Companies Act, 2013.

Disclosures in the offer document.

6. (1) The offer document shall contain true, fair and material disclosures, which are necessary for the subscribers of the revenue bonds to take an informed investment decision.
(2) Without prejudice to the generality of sub-regulation (1), the issuer, which is a municipality, and the lead merchant banker shall ensure that the offer document contains the following:

(a) disclosures specified in Schedule Iof these regulations;
(b) disclosures with respect to compliance with regulation 12;
(c) additional disclosures as may be specified by the Board:

Provided that in case of issuer being a corporate municipal entity, the issuer and the lead merchant banker shall ensure that the offer document contains the following:

(i) disclosures as specified in Companies Act, 2013 and Companies (Prospectus and Allotment of Securities) Rules, 2014;
(ii) disclosures specified in Schedule Iof these regulations;
(iii) disclosures with respect to compliance with regulation 12;
(iv) additional disclosures as may be specified by the Board.

Filing of draft offer document

7. (1) No issuer shall make a public issue of revenue bonds unless a draft offer document has been filed with the designated stock exchange through the lead merchant banker:
Provided that where an issuer has filed a shelf prospectus, not more than four public issuances shall be made through a single shelf prospectus during a financial year.
(2) The draft offer document filed with the designated stock exchange shall be made public by posting the same on the website of the designated stock exchange for seeking public comments for a period of seven working days from the date of filing the draft offer document with such exchange.
(3) The draft offer document may also be displayed on the website of the issuer, merchant bankers and the stock exchanges where the revenue bonds are proposed to be listed.
(4) The lead merchant banker shall ensure that the draft offer document specifies the names and contact details of the compliance officer of the lead merchant banker, the officer concerned and the project officer, wherever applicable, of the issuer including their postal and email address, telephone and fax numbers.
(5) The lead merchant banker shall ensure that all comments received on the draft offer document are suitably addressed:
Provided that where the issuer is a corporate municipal entity, the lead merchant banker shall ensure that all comments received on the draft offer document are suitably addressed prior to the filing of the final offer document with the Registrar of Companies.
(6) The issuer shall, before filing of draft offer documents with Board, obtain a "Viability Certificate" or Detailed Project Appraisal Report (DPR) from a scheduled commercial bank or public financial institution stating that the project is financially viable, based on the estimates/assumptions available at that time.
(7) A copy of draft and final offer document shall also be forwarded to the Board for its records, simultaneously with filing of these documents with designated stock exchange.
(8) The issuer filing a shelf prospectus shall file a copy of an information memorandum with the recognised stock exchanges and the Board and in case of a corporate municipal entity, file the same with the Registrar of Companies.

(9) Where the issuer is a corporate municipal entity, the information memorandum shall contain the disclosures specified in Companies Act, 2013 and rules made thereunder and shall include disclosures regarding summary term sheet, material updations including revision in ratings, if any, along with the rating rationale and financial ratios specified in Schedule I.
(10) The lead merchant banker shall, prior to opening of the public issue, furnish to the Board a due diligence certificate as per Schedule II of these regulations:

Provided that where the issuer is a corporate municipal entity, the lead merchant banker shall, prior to filing of the final offer document with the Registrar of Companies, furnish to the Board a due diligence certificate as per Schedule II of these regulations.

(11) The debenture trustee, wherever appointed under proviso to sub-regulation (7) of Regulation 5 shall, prior to the opening of the public issue, furnish to the Board a due diligence certificate as per Schedule III of these regulations.

Mode of disclosure of offer document.

8. (1) The draft and final offer document shall be displayed on the websites of stock exchanges and shall be available for download in PDF / HTML formats.

(2) The draft offer document shall be filed with the designated stock exchange, for dissemination on its website prior to the opening of the issue:

Provided that where the issuer is a Corporate Municipal Entity, the final offer document shall be filed with the designated stock exchange, simultaneously with filing thereof with the Registrar of Companies, for dissemination on its website prior to the opening of the issue.

(3) Where any person makes a request for a physical copy of the offer document, the same shall be provided to him by the issuer or lead merchant banker.

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Advertisements for public issues.

9. (1)The issuer may make an advertisement in a national daily with wide circulation, on or before the issue opening date and such advertisement shall, amongst other things, contain the disclosures as per Schedule IV.

(2) No issuer shall issue an advertisement which is misleading in material particular or which contain any information in a distorted manner or which is manipulative or deceptive.

(3) The advertisement shall be truthful, fair and clear and shall not contain a statement, promise or forecast which is untrue or misleading.

(4) Any advertisement issued by the issuer shall not contain any matters which are extraneous to the contents of the offer document.

(5) The advertisement shall urge the investors to invest only on the basis of information contained in the offer document.

(6) Any promotional or educative advertisement issued by the issuer during the subscription period shall not make any reference to the issue of revenue bonds or be used for solicitation.

Abridged prospectus and application forms.

10. (1) The issuer and lead merchant banker shall ensure that:

(a) every application form issued by the issuer is accompanied by a copy of the abridged prospectus;

(b) the abridged prospectus shall not contain matters which are extraneous to the contents of the prospectus;

(c) adequate space shall be provided in the application form to enable the investors to fill in various details like name, address, etc.

(2) The issuer may provide the facility for subscription of application in electronic mode.

Minimum subscription.

11. (1) Theissuer may decide the amount of minimum subscription which it seeks to raise by issue of debt securities and disclose the same in the offer document:

Provided such minimum subscription limit shall not be less than seventy five per cent of the issue size.

(2) In the event of non-receipt of minimum subscription as specified above, all application moneys received in the public issue shall be refunded forthwith to the applicants, within twelve days from the date of the closure of the issue.

(3) In the event, there is a delay by the issuer in making the aforesaid refund, then the issuer shall refund the subscription amount along with interest at the rate of ten per cent. per annum for the delayed period.

Utilization of issue proceeds.

12. (1) The funds raised from public issue of debt securities shall be used only for projects that are specified under objects in the offer document.

(2) The proceeds of the issue shall be clearly earmarked for a defined project or a set of projects for which requisite approvals have been obtained from concerned authorities.

(3) The issuers shall maintain a bank account in which the amount raised from the issue shall be transferred immediately after the closure of the issue and such amount shall only be utilised for specified project(s):

Provided that where the issuer is a Corporate Municipal Entity, the issue proceeds, net of issue expenses, shall be used only for onward lending to municipalities, as disclosed in the offer document:

Provided further that where the issuer is a corporate municipal entity, it shall maintain sufficient interest margin while onward lending to the municipalities, to meet its operating expenses and obligations.

(4) The issuer shall establish a separate project implementation cell and designate a project officer who shall not be below the rank of deputy commissioner, who shall monitor the progress of the project(s) and shall ensure that the funds raised are utilised only for the project(s) for which the debt securities were issued:

Provided that where the issuer is a corporate municipal entity, such requirement shall be complied by the Municipality which is being financed.

(5) Issuer's contribution for each project shall not be less than twenty per cent. of the project costs, which shall be contributed from their internal resources or grants:

Provided that where the issuer is a corporate municipal entity, contribution of the concerned municipality, which is being financed by the corporate municipal entity, shall not be less than twenty per cent. of the project costs, which shall be contributed from its internal resources or grants.

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(6) The issuer shall disclose the schedule of implementation of the project in the offer document in a tabular form and the funds raised by the issuer shall be utilized in accordance with the said schedule.

Underwriting.

13. A public issue of revenue bonds may be underwritten by an underwriter registered with the Board and in such a case adequate disclosures regarding underwriting arrangements shall be disclosed in the offer document.

CHAPTER IV
LISTING OF DEBT SECURITIES

Mandatory listing.

14. An issuer desirous of making an offer of debt securities to the public shall make an application for listing to one or more recognised stock exchanges:
Provided that in case of issuer being corporate municipal entity, such an application shall be made in terms of sub-section (1) of section 40 of the Companies Act, 2013.

Conditions for listing of debt securities issued on private placement basis.

15. (1) An issuer may list its debt securities issued on private placement basis on a recognised stock exchange subject to the following conditions:

(a) an issuer may issue general obligation bonds or revenue bonds;
(b) accounts of municipality being the issuer, shall be prepared in accordance with National Municipal Accounts Manual or in accordance with similar Municipal Accounts Manual adopted by the respective State Government for at least three immediately preceding financial years;
(c) no order or direction of restraint, prohibition or debarment by Board against the corporate municipal entity or its directors is in force;
(d) the issuer, being a corporate municipal entity, has issued such debt securities in compliance with the provisions of Companies Act, 2013 and particularly section 42 of the Companies Act, 2013 and rules prescribed there under and other applicable laws;
(e) the issuer shall not solicit or collect funds by issue of debt securities, except by way of private placement;
(f) the minimum subscription amount per investor shall not be less than rupees twenty five lakh or such amount as may be specified by Board from time to time;
(g) credit rating has been obtained in respect of such debt securities from at least one credit rating agency registered with the Board;
(h) the debt securities proposed to be listed are in dematerialized form;
(i) the disclosures as provided in Schedule Iof these regulations have been made.

CHAPTER V

REQUIREMENTS FOR BOTH PUBLIC ISSUES AND PRIVATE PLACEMENT

Asset cover.

16. An issuer, proposing to issue debt securities shall maintain 100% asset cover sufficient to discharge the principal amount at all times for the debt securities issued.

Buy-back.

17. The issuers may provide an option to buy-back the debt-securities at a value which shall not be less than the face value of the debt securities, from the investors:
Provided in such cases, appropriate disclosure shall be made in the offer document

Prohibitions of mis-statements in the offer document.

18. (1) The offer document shall not omit disclosure of a material fact which may make the statements made therein misleading, in light of the circumstances under which they are made.
(2) The offer document or abridged prospectus or any advertisement issued by an issuer in connection with a public issue of debt securities shall not contain any false or misleading statement.

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Creation of security for secured debentures.

19. (1) The debentures shall be secured by the creation of a charge, on the properties or assets or the receivables of the issuer, having a value which is sufficient for the due repayment of the amount of debentures and interest thereon:
Provided that in case unsecured debentures are intended to be listed on stock exchange(s), then such debt securities shall either be backed by guarantee from State Government or Central Government or shall have a structured payment mechanism whereby the issuer shall deposit debt servicing amounts in the designated bank account at least 10 working days before due date of payment.

(2) The total value of secured debentures issued shall not exceed the market value of immovable property/other assets or receivables of the issuer, for which a charge shall be created.
(3) The issuer shall give an undertaking in the offer document that the assets on which charge is created are free from any encumbrances and if the assets are already charged to secure a debt, the permissions or consent to create second or *paripasu* charge on the assets of the issuer have been obtained from the earlier creditor.
(4) The issue proceeds shall not be utilised until the documents for creation of security are executed.

Trust deed.

20. (1) A trust deed for securing the issue of debentures shall be executed by the issuer in favour of the independent trustee or debenture trustee, as applicable, within three months of the closure of the issue.
(2) The trust deed shall contain such clauses as may be prescribed in Schedule IV of the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993:

Provided that in case of private placement by a corporate municipal entity, the trust deed shall, in-addition, contain such clauses as prescribed under section 71 of the Companies Act, 2013 and Companies (Share Capital and Debentures) Rules 2014.

(3) The trust deed shall not contain a clause which has the effect of:

(a) limiting or extinguishing the obligations and liabilities of the debenture trustees or the issuer in relation to any rights or interests of the investors;

(b) limiting or restricting or waiving the provisions of the Act, these regulations and circulars or guidelines issued by the Board;

(c) indemnifying the debenture trustees or the issuer for loss or damage caused by their act of negligence or commission or omission.

Redemption and roll-over.

21. (1) The issuer shall redeem the debt securities in terms of the offer document.

(2) Where the issuer being a corporate municipal entity, desires to roll-over the debt securities issued, it shall do so only upon passing of a special resolution to that effect and give twenty one days notice of the proposed roll over to the holders of debt securities:

Provided where the issuer is a municipality, the notice shall be given to the holders of debt securities and stock exchanges where the debt securities are listed, upon the said decision:

Provided further that in case the issuer is a municipality, if the holders of debt securities do not provide consent for the proposed roll over within the notice period, the issuer shall redeem the debt securities of such holders.

(3) The notice referred to in sub- regulation (2) shall contain disclosures with regard to credit rating and rationale for roll-over.

(4) The issuer being a corporate municipal entity shall, prior to sending the notice to holders of debt securities, file a copy of the notice and proposed resolution with the stock exchanges where such securities are listed, for dissemination of the same to public on their websites.

(5) The debt securities issued can be rolled over subject to the following conditions:

(a) The roll-over is approved by a special resolution passed by the holders of debt securities through postal ballot having the consent of not less than 75% of the holders by value of such debt securities:

Provided that this condition shall not be applicable to the issuer, which is a municipality:

Provided further that in case of issuer being a municipality, a period of seven days shall be granted to the holders of debt securities to provide their consent;

(b) atleast one rating is obtained from a credit rating agency within a period of six months prior to the due date of redemption and is disclosed in the notice referred to in sub-regulation (2);

(c) fresh trust deed shall be executed at the time of such roll over or the existing trust deed may be continued if the trust deed provides for such continuation ;

(d) adequate security shall be created or maintained in respect of such debt securities to be rolled–over.

(6) The issuer shall redeem the debt securities of all the holders, who have not given their positive consent to the roll-over.

Debenture redemption reserve.

22. (1) For the redemption of the debentures issued by a corporate municipal entity, the issuer shall create debenture redemption reserve in accordance with the provisions of the Companies Act, 2013 and the rules made thereunder.
(2) Where the issuer is a corporate municipal entity and the issuer has defaulted in payment of interest on debt securities or redemption thereof or in creation of security as per the terms of the issue of debt securities, any distribution of dividend shall require approval of the debenture trustees.

CHAPTER VI
CONDITIONS FOR CONTINUOUS LISTING AND TRADING OF DEBT SECURITIES

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Continuous listing conditions.

23. (1) All the issuers making public issues of debt securities or seeking listing of debt securities issued on private placement basis, shall comply with conditions of listing including continuous disclosure and other requirements specified by the Board in general and those specified in Schedule V to these regulations.

(2) Where the issuer is corporate municipal entity, one-third of its Board shall comprise of independent directors, as defined in section 149 of the Companies Act, 2013.
(3) Every rating obtained by an issuer shall be periodically reviewed by the registered credit rating agency and any revision in the rating shall be promptly disclosed by the issuer to the stock exchange(s) where the debt securities are listed.
(4) In the event of credit rating being downgraded by two or more notches below the rating assigned at the time of issue, the issuer shall present to all bondholders, the reasons for fall in rating and the steps, if any, it intends to take to recover the rating.
(5) Any change in rating shall be promptly disseminated in such manner as the stock exchange where such securities are listed may determine from time to time.
(6) The issuer, the respective debenture trustees, wherever appointed, and stock exchanges shall disseminate all information and reports regarding debt securities including compliance reports filed by the issuers and the debenture trustees, if appointed, to the investors and the general public by placing them on their websites.
(7) The information referred to in sub-regulation (5) shall also be placed on the websites, if any, of the debenture trustee, the issuer and the stock exchanges.

Accounting and audit.

24. (1) An Issuer, being a municipality, shall prepare its accounts in accordance with the National Municipal Accounts Manual or in accordance with similar Municipal Accounts Manual adopted by the respective State Government:
Provided that in case of the Issuer being a corporate municipal entity, the accounts shall be prepared in accordance with section 129 and 134 of the Companies Act, 2013 and the rules made thereunder.
(2) In case of the issuer being a municipality, the accounts of the issuer shall be audited by the persons appointed by the municipal corporations, as permissible under its constitution/state legislation governing the municipality:
Provided that in case of an issuer being a corporate municipal entity, the accounts of the issuer shall be audited by an auditor, in terms of section 139 of the Companies Act, 2013 and the rules made thereunder:

(3) The bank account for issue proceeds and separate escrow account with earmarked revenues, shall be audited by persons so appointed by the municipality or the corporate municipal entity, within six months of the close of every financial year.

Trading and reporting of debt securities.

25. (1) The debt securities issued to the public or on a private placement basis, which are listed in recognised stock exchanges, shall be traded and such trades shall be cleared and settled in recognised clearing corporation subject to conditions specified by the Board.

(2) The trading lot for privately placed debt securities shall be rupees one lakh or such amount as may be specified by the Board.
(3) In case of trades of debt securities which have been made over the counter, such trades shall be reported on a recognised stock exchange having a nationwide trading terminal or such other platform as may be specified by the Board from time to time.
(4) The information in respect of issues such as issuer details, instrument details, ratings, rating migration, coupon, buyback, redemption details, shall be required to be reported to a common database with depositories or any other platform as may be specified by the Board.

CHAPTER VII
OBLIGATIONS OF INTERMEDIARIES AND ISSUERS

Obligations of monitoring agency and trustee.

26. (1) The monitoring agency appointed under sub-regulation (7) of regulation 5 shall be vested with the requisite powers for protecting the interest of holders of debt securities.
(2) The monitoring agency shall inspect on half yearly basis, the utilization of issue proceeds in accordance with objects of the issue as specified in offer document and report, material deviation, if any, to the concerned stock exchange for public dissemination.
(3) The monitoring agency shall monitor earmarked revenue in the separate escrow account.
(4) The debenture trustee, wherever appointed, shall be vested with the requisite powers for protecting the interest of holders of debt securities:

Provided that , where the issuer is a corporate municipal entity, such powers shall include a right to appoint a nominee director on the Board of the issuer, in consultation with institutional holders of such securities.

(5) the debenture trustee, wherever appointed, shall disclose the information to the investors and the general public by issuing a press release in any of the following events:

(a) default by issuer to pay interest on debt securities or redemption amount;

(b) failure to create a charge on the assets;

(c) revision of rating assigned to the debt securities.

(6) The debenture trustee, wherever appointed, shall carry out its duties and perform its functions under these regulations, the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, the trust deed and offer document, with due care, diligence and loyalty.

(7) The debenture trustee, wherever appointed, shall ensure disclosure of all material events on an ongoing basis

(8) The debenture trustees, wherever appointed, shall supervise the implementation of the conditions regarding creation of security for the debt securities and debenture redemption reserve.

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Obligations of the issuer and merchant banker.

27. (1) The issuer shall disclose all the material facts in the offer documents issued or distributed to the public and shall ensure that all the disclosures made in the offer document are true, fair and adequate and there is no mis-leading or untrue statements or mis-statement in the offer document.

(2) The merchant banker(s) shall verify and confirm that the disclosures made in the offer documents are true, fair and adequate and ensure that the issuer is in compliance with these regulations.

(3) The merchant banker(s) shall ensure that all transaction specific disclosures required in Schedule I of these regulations are complied with:

Provided where the issuer is a corporate municipal entity, merchant banker(s) shall also ensure that the disclosures under Companies Act, 2013 and rules made thereunder are complied with.

(4) The issuer shall treat the applicants in a public issue of debt securities in a fair and equitable manner as per the procedures as may be specified by the Board.

(5) The issuer and merchant bankers shall be responsible for the due diligence in respect of assignments undertaken by them in respect of issue, offer and distribution of securities to the public.

(6) No person shall employ any device, scheme or artifice to defraud in connection with issue or subscription or distribution of debt securities which are listed or proposed to be listed on a recognised stock exchange.

(7) The issuer and the merchant bankers shall ensure that the security created to secure the debt securities is adequate to ensure hundred per cent. asset cover for the debt securities.

CHAPTER VIII
MISCELLANEOUS

Sanction for violations.

28. Any contravention of these regulations shall be dealt with by the Board in accordance with the Act.

Power to remove difficulties.

29. In order to remove any difficulties in the interpretation or application of the provisions of these regulations, the Board shall have the power to issue directions through guidance notes or circulars:

Provided that where any direction is issued by the Board in a specific case relating to interpretation or application of any provision of these regulations, it shall be done only after affording a reasonable opportunity of being heard to the concerned persons and after recording reasons for the direction.

SCHEDULE I

[*See Regulation 6(2)****]***

Disclosures

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1. Where the issuer is a Corporate Municipal Entity, it shall make disclosures in accordance with Schedule I to SEBI (Issue and Listing of Debt Securities) Regulations, 2008 and shall also make below mentioned disclosures, whichever is relevant, pertaining the municipalities proposed to be financed by the issue;

2. Where the issuer is a municipality, it shall make below mentioned disclosures:

A. <u>General Information</u>

1. The relevant Act under which the issuer of such securities is incorporated and governed
2. Copy of the Committee Resolution/Municipal Corporation authorizing the borrowing and list of authorized signatories.
3. Copy of the necessary Resolution(s) for the allotment of debt securities
4. Copy of budget documents for last 3 years containing actual financial performance and/or revised estimates along with the details of related party transactions
5. An undertaking from the issuer stating that the necessary documents for the creation of the charge, where applicable, including the Trust Deed would be executed within the time frame prescribed in the relevant regulations/act/rules etc and the same would be uploaded on the website of the recognised Stock exchange where the debt securities have been listed, within five working days of execution of the same.
6. Any other particulars or documents that the recognised stock exchange, where the debt security have been listed, may call for as it deems fit.

7. An undertaking that permission / consent from the prior creditor for a second or paripassu charge being created, where applicable, in favor of the trustees to the proposed issue has been obtained.
8. Name and contact details of the monitoring agency.
9. Details of the separate escrow account opened for servicing of debt securities with earmarked revenue, wherever applicable.

Issuer shall submit the following disclosures to the Debenture Trustee in electronic form (soft copy) at the time of allotment of the debt securities:

1. The relevant Act under which the issuer of such securities is incorporated and governed.
2. Copy of the Resolution authorizing the borrowing and list of authorized signatories.
3. Copy of the necessary Resolution(s) for the allotment of debt securities
4. Copy of budget documents for last 3 years containing actual financial performance and/ or revised estimates.

B. An undertaking to the effect that the Issuer would, till the redemption of the debt securities, submit the details relating to the financials of the issuer to the Trustee within the timelines prescribed by SEBI for furnishing /publishing its half yearly/ annual result. Further, the Issuer shall, forthwith, submit a copy of the latest annual report to the Trustee and the Trustee shall be obliged to share the details submitted under this clause to debenture-holders within two working days of their specific request. The following disclosures shall be made in the offer document where relevant:

   I. Name and address of the following:-
      a. Head office/quarters of the Issuer
      b. Compliance officer of the Issuer
      c. Complete Details of the Official In-charge of dealing with investor Grievances related to the Municipal Bonds, his/her address, phone number, email ID, etc.
      d. Chief Accounts and Finance Officer or equivalent of the Issuer
      e. Arrangers, if any, of the instrument
      f. Trustee of the issue
      g. Registrar to an issue
      h. Credit Rating Agency (-ies) of the issue and
      i. Auditors of the Issuer
      j. The relevant Act under which the issuer is incorporated and governed

   II. Comprehensive Disclosure regarding the Risk Factors, including project risks, operational risks, credit risks, liquidity risks, etc.

C. Organization details:

1. Details of Mayor / Deputy Mayor including date of appointment, etc.
2. Details of Commissioner/ Deputy Commissioner including date of appointment, etc
3. Details of any Reorganization or Reconstruction in the last 1 year:-

Type of Event	Date of Announcement	Date of Completion	Details

4. Details of the members of the Committee approving the project/ various Standing Committees relating to Taxation / Finance /Accounts/ Audit/ Infrastructure

Name and Designation	Date of Appointment/ Resignation	Member of the Committee since (in case of resignation)	Remarks

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5. Details of the Auditors

Name	Address	Auditor since

6. Details of trustee

Name	Address	Contact person

D. <u>A brief summary of the business/ activities of the Issuer and its project for which funds are to be raised containing atleast following information</u>
   1. Overview of the issuer
   2. Management Structure of the issuer and the relevant department issuing the bond
   3. Details of all the project undertaken or proposed in terms of cost and means of financing
   4. Complete details of the project/s for which finance is raised
      i. An investment plan for the project components indicating phasing as well as financing approved by the local authority or the agency as the case may be

ii. Schedule of implementation of the project
iii. Capital structure relating to projects for which funds are proposed to be mobilized
iv. Capital grant for the proposed project and the amount received in this regard
v. Details of State Finance Commission Grant on annual basis
vi. Benchmarks for commencement and completion of the project including milestone dates for all components of the project
vii. Details and status of the regulatory approval (if required)
viii. Financial viability of the project showing the stage wise cost and revenue flows for the project.
ix. Revenue generation/resources and sufficiency for timely servicing and redemption
x. Details of the independent trustee of the escrow account
xi. Latest Audit report of the escrow and project account by a firm of chartered accountants appointed by the concerned State Urban Development Departments from a panel CA's approved by the C& AG.

5. Performance with respect to key financial and operational parameters for the last 3 years
   I. Abridged Balance Sheet, Income and Expenditure and Receipts and Payments Accounts for the last three years with major heads;
   II. Link to the web page where the entire financials of the Municipal Body can be accessed should be given.
   III. Financial Parameters:

Key Financial Figures	FY	FY	FY
Revenue Income			
Revenue expenditure (Excl. Interest)			
Operating revenue Surplus			
Interest expense			
Principal repayment (outside sinking Fund)			
Contribution to Sinking fund			
Revenue Surplus			
Capital Income			
Capital Expense			
Capital Surplus			

Overall Surplus			
Deposits and Advances (net)			
Initial Cash / Bank balance			
Change in Cash / Bank balance			
Final Cash / Bank balance			
Loan repayment from sinking fund			
Initial Sinking fund balance			
Change in sinking fund			
Final sinking fund balance			
Total Debt			
Ratio of Total Expenditure /Total Revenue			
Cash Surplus / Total Revenue			
Ratio of Debt Service / Total Revenue			

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IV. Operational Parameters:

Details of top 5 revenue sources for last 3 years

Revenue Receipt type	Actual	Actual	Actual
	FY	FY	FY
XYZ 1			
XYZ 2			
XYZ 3			
XYZ 4			
XYZ 5			

V. Details of property tax collection

Particulars	Demand Raised			Collections			Overall Collection ratio	Current Collection ratio
	Arrears	Current	Total	Current	Arrear	Total		
FY								

FY								
FY								

VI. Status of reforms with respect to e-governance, cost recovery on water supply & Solid Waste Management (SWM), property tax, double entry accounting and others, as specified by MoUD and authorities concerned

E. Details of Issuer's outstanding borrowing

I. Details of borrowings of the Issuer, as on the latest quarter end:-

II. Details of Secured Loan Facilities:-

Lender's Name	Type of Facility	Amt Sanctioned	Principal Amt outstanding	Repayment Date / Schedule	Security

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III. Details of Unsecured Loan Facilities:-

Lender's Name	Type of Facility	Amt Sanctioned	Principal Amt outstanding	Repayment Date / Schedule

IV. Details of NCDs/Bonds: -

Debenture/Bond Series	Tenor / Period of Maturity	Coupon	Amount	Date of Allotment	Redemption Date/ Schedule	Credit Rating	Secured / Unsecured	Security

V. List of Top 10 Debenture Holders (as on ……)

Sr. No.	Name of Debenture Holders	Amount

Note: Top 10 holders' (in value terms, on cumulative basis for all outstanding debentures issues) details should be provided.

VI. The amount of charge created along with name of the counterparty (like name of the project etc.)

VII. Details of Commercial Paper:- The total Face Value of Commercial Papers Outstanding as on the latest quarter end to be provided and its breakup in following table:-

Maturity Date	Amount Outstanding

VIII. Details of Rest of Borrowings

IX. Estimated Scenarios of Asset Liability Mis-matches, efforts intended to resolve the same

X. Details of all default/s and/or delay in payments of interest and principal of any kind of term loans, debt securities and other financial instrument issued by the Issuer, in the past 3 years .

XI. Details of change in terms and conditions of debt securities issued in past 5 years (i.e. change in coupon, maturity, call/put option etc.)

XII. An undertaking should be disclosed in the offer document that the issue has obtained Lenders consent for creating charge on assets (if the issue is of secured Bonds)

XIII. Details of any outstanding borrowings taken/ debt securities issued for consideration other than cash, whether in whole or part, at a premium or discount, or in pursuance of an option;

XIV. Any material event/ development or change having implications on the financials/credit quality (e.g. any material regulatory proceedings against the Issuer, resulting in material liabilities, restructuring event etc) at the time of the issue which may affect the issue or the investor's decision to invest/ continue to invest in the debt securities.

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XV. The detailed rating rationale (s) adopted (not older than one year on the date of opening of the issue)/ credit rating letter issued (not older than one month on the date of opening of the issue) by the rating agencies shall be disclosed.

XVI. Credit Enhancement Mechanisms if any, with complete details, if any.

XVII. The security is backed by a guarantee or letter of comfort or any other document / letter with similar intent, a copy of the same shall be disclosed. In case such document does not contain detailed payment structure (procedure of invocation of guarantee and receipt of payment by the investor along with timelines), the same shall be disclosed in the offer document.

XVIII. In case there is an escrow mechanism for the repayment of the interest/principal, details of the same should be given.

XIX. The names of the debenture trustee(s) shall be mentioned with statement to the effect that debenture trustee(s) has given his consent to the Issuer for his appointment. This also needs to be mentioned in all subsequent communications sent to the holders of debt securities.

XX. Names of all the recognised stock exchanges where the debt securities are proposed to be listed clearly indicating the designated stock exchange.

XXI. Penal interest payable by the Municipal Corporation in case of delay in execution of Trust Deed and Charge documents

XXII. Additional interest to be paid, above the Coupon Rate, in case of default in payment of Interest and/or principal redemption on the due dates

XXIII. Penal interest payable by the Municipal Corporation in case of delay in listing of debt securities from the deemed date of allotment

XXIV. Other details

XXV. DRR/such other reserve creation - relevant regulations and applicability.

XXVI. Issue/instrument specific regulations - relevant details (Relevant Act, RBI guidelines, etc).

XXVII. Application process

XXVIII. Procedure for deciding and adjusting payment dates (in response to days when payment can't be made due to any reason like sudden bank holiday.

XXIX. List of documents which have been executed/ will be executed in relation to the issue

XXX. Investor grievances mechanisms

XXXI. Such other details necessary for the investors to make a well informed decision making regarding their investment in the proposed issue

XXXII. Declaration signed by the Mayor and Commissioner of the concerned Municipal Body stating that offer document contains true, fair and adequate information to enable investors to make a well informed decision making regarding their investment in the proposed issue.

XXXIII. Declaration signed by the Director(s) of the Corporate Municipal Entity stating that offer document contains true, fair and adequate information to enable investors to make a well informed decision making regarding their investment in the proposed issue.

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F. Issue details

Summary term sheet shall be provided which shall include at least following information (where relevant) pertaining to the Secured / Unsecured Non Convertible debt securities (or a series thereof):-

Security Name	Name of the bond which includes (Issuer Name, Coupon and maturity year) e.g. 8.70% XXX 2015.
Issuer	
Type of Instrument	Secured or Unsecured
Seniority	Senior or Subordinated.
Mode of Issue	Private placement/Public issue
Eligible Investors	
Listing (including name of stock Exchange(s) where it will be listed and timeline for listing)	
Rating of the Instrument	_____ by _____ Ltd.
Issue Size	
Option to retain oversubscription (Amount)	
Objects of the Issue	The proceeds of the proposed issue shall be clearly earmarked for a defined project or a set of projects; The project(s) shall be financially viable project(s), i.e., should be able to generate a stream of revenue which should be sufficient to finance Operational & Maintenance cost
Details of the utilization of the Proceeds	
Coupon Rate	
Taxable/Tax free	
Step Up/Step Down Coupon Rate	
Coupon Payment Frequency	
Coupon payment dates	Dates on which coupon will be paid
Coupon Type	Fixed, floating or other coupon structure

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Coupon Reset Process (including rates, spread, effective date, interest rate cap and floor etc).	
Day Count Basis	Actual/ Actual
Interest on Application Money	
Tenor	__ Months from the Deemed from the date of Allotment
Redemption Date	Dates on which Principal will be paid
Redemption Amount	
Redemption Premium /Discount	
Issue Price	The price at which bond is issued
Discount at which security is issued and the effective yield as a result of such discount.	
Put option Date	
Put option Price	
Call Option Date	
Call Option Price	
Put Notification Time	Timelines by which the investor need to intimate Issuer before exercising the put option.
Call Notification Time	Timelines by which the Issuer need to intimate investor before exercising the call option.
Face Value	
Minimum Application and in multiples of _Debt Securities thereafter	
Issue Timing 1. Issue Opening Date 2. Issue Closing date 3. Pay-in Date 4. Deemed Date of Allotment	
Issuance mode of the Instrument	Rs. 10 lakh per instrument for Demat only (for private placement)

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Trading mode of the Instrument	Demat only (for private placement)
Settlement mode of the Instrument	
Depository	
Business Day Convention	
Record Date	15 days prior to each Coupon Payment date / Redemption date.
Security (where applicable) (Including description, type of security, type of charge, likely date of creation of security, minimum security cover, revaluation, replacement of security).	
Transaction Documents	
Conditions Precedent to Disbursement	
Condition Subsequent to Disbursement	
Events of Default	
Provisions related to Cross Default Clause	
Role and Responsibilities of Debenture Trustee	
Governing Law and Jurisdiction	

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Notes:

Any change in Coupon Rate, along with events which lead to the change if there is any change in Coupon Rate pursuant to any event including elapse of certain time period or downgrade in rating, then such new Coupon Rate and events which lead to such change should be disclosed.

SCHEDULE II

[See Regulation 7 (10)]

FORMAT FOR DUE DILIGENCE CERTIFICATE AT THE TIME OF FILING THE OFFER DOCUMENT BY AN ISSUER OR A CORPORATE MUNICIPAL ENTITY WITH REGISTRAR OF COMPANIES AND PRIOR TO THE OPENING OF THE ISSUE

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To,
SECURITIES AND EXCHANGE BOARD OF INDIA
Dear Sir / Madam,
SUB.: ISSUE OF _____ BY _____

1.We confirm that neither the issuer nor its promoters or directors (in case of corporate municipal entity), have been prohibited from accessing the capital market under any order or direction passed by the Board. We also confirm that none of the intermediaries named in the offer document have been debarred from functioning by any regulatory authority.

2. We confirm that all the material disclosures in respect of the issuer have been made in the offer document and certify that any material development in the issue or relating to the issue up to the commencement of listing and trading of the shares offered through this issue shall be informed through public notices/ advertisements in all those newspapers in which pre-issue advertisement and advertisement for opening or closure of the issue have been given.

3. We confirm that the offer document contains all disclosures as specified in the Securities and Exchange Board of India (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015.

4. We also confirm that all relevant provisions of the Companies Act, 2013, if applicable, Securities Contracts, (Regulation) Act, 1956, Securities and Exchange Board of India Act, 1992 and the Rules, Regulations, Guidelines, Circulars issued thereunder are complied with.

We confirm that all comments/ complaints received on the draft offer document filed on the website of _____ (designated stock exchange) have been suitably addressed.

PLACE
DATE: **LEAD MERCHANT BANKER (S)**

SCHEDULE III

[See Regulation 7 (11)]

FORMAT OF DUE DILIGENCE CERTIFICATE TO BE GIVEN BY THE DEBENTURE TRUSTEE BEFORE OPENING OF THE ISSUE

To,
SECURITIES AND EXCHANGE BOARD OF INDIA
Dear Sir / Madam,

SUB.: ISSUE OF _____ BY _____Ltd (Corporate Municipal Entity)

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We, the Debenture Trustee (s) to the above mentioned forthcoming issue state as follows:
(1) We have examined documents pertaining to the said issue and other such relevant documents.
(2) On the basis of such examination and of the discussions with the issuer, its Mayor/Deputy Mayor /Directors and other officers, other agencies and of independent verification of the various relevant documents,
WE CONFIRM that:
(a) The issuer has made adequate provisions for and/or has taken steps to provide for adequate security for the debt securities to be issued.
(b) The issuer has obtained the permissions / consents necessary for creating security on the said property (ies) / receivables.
(c) The issuer has made all the relevant disclosures about the security and also its continued obligations towards the holders of debt securities.
We have satisfied ourselves about the ability of the issuer to service the debt securities.

PLACE
DATE: **DEBENTURE TRUSTEE TO THE ISSUE WITH HIS SEAL**

SCHEDULE IV

[See Regulation 9 (1)]

FORMAT OF ISSUE ADVERTISEMENTS FOR PUBLIC ISSUES

This is an advertisement for information purposes

_____ _____ Municipal Corporation or _____ Ltd (or Corporate Municipal Entity)

(Incorporated on _____ under the Relevant State Act or the Companies Act as _____
and subsequently renamed _____ on _____)

Registered Office: _____ Tel: _____ Fax _____

Corporate Office: _____ Tel: _____ Fax _____

e-mail: _____ Website: _____

THE ISSUE

Public issue of _____ debt securities of Rs. ____ each at a price of Rs._____

(Summary Details of Coupon, Redemption, etc shall be disclosed)

MAYOR/ DEPUTY MAYOR /COMMISSIONER/PROMOTERS

XXXX

PROPOSED LISTING

Names of Stock Exchanges

MERCHANT BANKERS

(Names)

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COMPLIANCE OFFICER OF THE ISSUER

Name, address, telephone and fax numbers, email ID, website address

CREDIT RATING

(The Rating Obtained shall be disclosed prominently along with the meaning of the same)

DEBENTURE TRUSTEES

(Names)

AVAILABILITY OF APPLICATION FORMS

Names of Issuer, Lead Managers, etc. (Addresses optional)

AVAILABILITY OF OFFER DOCUMENT

Investors are advised to refer to the offer document, and the risk factors contained therein, before applying in the issue. Full copy of the offer document is available on websites of issuer / lead manager(s) / Stock Exchange(s) on www._____

ISSUE OPENS ON:

ISSUE CLOSES ON:

Issued by

Directors of Issuer

SCHEDULE V

[See Regulation 23 (1)]

Periodic Disclosures to be made by Issuers:

1. The issuer shall file its Annual Audited financial results, forthwith, with the stock exchange and debenture trustee, wherever applicable.
2. Further, following periodic disclosures shall be made by the Issuer on half yearly basis to the stock exchange and debenture trustee, wherever applicable.:

i. Utilization of funds for the projects – Half yearly certification of Chartered Accountant on Utilizations of the issue proceeds for execution of the projects stated in the offer document.

ii. A report containing status of implementation of project(s), which is being financed alongwith reasons for delay, if any.

iii. Project development - Details with respect to the development of the Project along with certifications from the Project Engineer should be furnished to the bond trustee, Rating Agencies and stock exchanges on Half Yearly Basis and should be publicly disseminated.

iv. Material adverse changes affecting ability to service bonds.

v. Proposal for pre-payment, valuation of bond in case of sale/purchase before maturity etc.

vi. Important ratios like Debt Equity Ratio, Debt Service Coverage Ratio, Interest Service Coverage Ratio etc.

vii. Half Yearly return on servicing of bonds, maintenance of Asset Cover, Credit enhancement facilities and Investors Grievances &Redressal

viii. A CA/Bank certificate for timely servicing of bonds.

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U. K. SINHA
CHAIRMAN
SECURITIES AND EXCHANGE BOARD OF INDIA