

CIRCULAR

SEBI/HO/DDHS/ DDHS_Div1/P/CIR/2022/00139

October 10, 2022

To,

**Issuers who have listed and/ or propose to list Non-convertible Securities, Municipal Debt Securities or Commercial Paper;
Recognised Stock Exchanges;
Registered Depositories;
Registered Credit Rating Agencies, Debenture Trustees, Depository Participants, Stock Brokers, Merchant Bankers, Registrars to an Issue and Share Transfer Agents, Bankers to an Issue;
Sponsor Banks; and
Self-Certified Syndicate Banks**

Madam/ Sir,

Sub: Review of provisions pertaining to Electronic Book Provider platform

(Revision in Chapter VI of the Operational Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper)

1. Chapter VI of the Operational Circular no. SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021, issued by SEBI, prescribes provisions pertaining to Electronic Book Provider (EBP) platform. The said circular stipulates the issuances which have to necessarily be made through EBP, the eligible participants, obligations/ responsibilities of various entities, provision to issuer to withdraw offer, process of bidding and allotment, etc.
2. SEBI has received representations from various market participants, requesting for review of the provisions pertaining to EBP platform, in order to address the issues of 'fastest finger first' (viz. allotment based on time priority in bidding for issuances with fixed parameters), certain bidders not getting allocations despite having worked on the issuance pre-listing, high ratio of green shoe to base issue size, limits on arrangers placing bids on behalf of clients, etc.
3. The said issues were discussed with market participants including issuers, arrangers, investors (e.g. banks, mutual funds), stock exchanges, depositories, and also at the Corporate Bonds and Securitization Advisory Committee (CoBoSAC) meetings. It was observed that in order to address the concern of 'fastest finger first', it is essential to modify the book building process to ensure allocations based on the 'best bid' rather than the bidder with the best technology for placing the fastest bid. Further, certain issuers have expressed the need for introduction of the concept of 'anchor investor' as an option, in order to enable them to assess the demand and receive assurance from certain prospective investors towards subscription.

4. The other stipulations of the existing EBP framework like threshold limits for applicability, Bidding limits for arrangers, Penalty in case of default etc. have also been modified after consultation.
5. Accordingly, it is proposed to replace the extant Chapter VI (Electronic Book Provider platform) of the aforementioned Operational Circular with a revised Chapter, as enclosed herewith, **Annex – A**.
6. The provisions of this circular shall come into effect from January 1, 2023.
7. The Circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 55 of the SEBI (Issue and Listing of Non-convertible Securities) Regulations, 2021 and Regulation 29 of SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015, to protect the interest of investors in securities and to promote the development of, and to regulate the securities market.
8. This Circular is available at www.sebi.gov.in under the link “Legal→Circulars”.

Yours faithfully,

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Chapter VI - Electronic Book Provider platform¹

[See Regulation 12 of SEBI NCS Regulations, 2021 and Regulation 16 of SEBI ILDM Regulations, 2015]

Primary issuances through EBP platform shall comply with the stipulations provided in this chapter.

1. The following are the eligible participants (i.e. bidders) on the EBP Platform:
 - 1.1. QIBs as defined under Regulation 2 (ss) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (hereinafter referred to SEBI ICDR Regulations, 2018).
 - 1.2. Any non-QIB, who/ which has been authorized by the issuer, to participate in a particular issue on the EBP Platform.
2. The following issues of securities shall be made through the EBP platform:
 - 2.1. A private placement of debt securities and NCRPS as per the provisions of SEBI NCS Regulations, 2021, if it is:
 - 2.1.1. a single issue, inclusive of green shoe option, if any, of Rs. 50 crore or more;
 - 2.1.2. a shelf issue, consisting of multiple tranches, which cumulatively amounts to Rs. 50 crore or more, in a financial year; and
 - 2.1.3. a subsequent issue, where aggregate of all previous issues by an issuer in a financial year equals or exceeds Rs. 50 crore.
 - 2.2. Issues of debt securities and NCRPS on private placement basis, irrespective of issue size, by issuers who are in existence for less than three years, in accordance with Clause 2.3.8 c. of Schedule II to the SEBI NCS Regulations, 2021.
 - 2.3. The issuance of PDIs, PNCPS, PCPS, RNCPS, and instruments of similar nature which are essentially non-equity regulatory instruments, forming part of a bank's or NBFC's capital, issued as per RBI stipulations and listed under Chapter V of the SEBI NCS Regulations, 2021, irrespective of the issue size.
3. An issuer, if desirous, may choose to access EBP platform for private placement of municipal debt securities or CPs or CDs also.
4. Issuers of debt securities and NCRPS on private placement basis of issue size less than Rs. 50 crore may also choose to access the EBP platform for such issuances.

¹SEBI/HO/DDHS/CIR/P/2018/05 dated January 05, 2018; and SEBI/HO/DDHS/CIR/P/2018/122 dated August 16, 2018;

5. The obligations of issuers are as under:

5.1. The issuer shall ensure compliance with all requisite laws, rules, regulations, etc. with respect to private placement of securities including ensuring compliance with Section 42 of the Companies Act, 2013.

Provided that, the issuer, shall include the number of non-QIB eligible participants, on whose behalf arranger(s) is making bids in a particular issue, for the purposes of compliance with the provisions of Section 42 of the Companies Act, 2013 and other relevant statutes.

5.2. The Issuer shall provide the Placement Memorandum and term sheet (i.e. summary of important terms and conditions related to an issue) to the EBP at least two working days prior to the issue opening date.

However, the issuer issuing the securities for the first time through EBP platform shall provide the above information at least five working days prior to the issue to the opening date.

5.3. The Placement Memorandum and the term sheet, *inter-alia*, discloses the following:

5.1.1. Details of size of the issue and green shoe portion, if any.

Provided that the green shoe portion shall not exceed five times the base issue size.

5.1.2. Interest rate parameter - Zero coupon, fixed coupon or floating coupon.

5.1.3. Bid opening and closing date.

5.1.4. Minimum Bid Lot.

5.1.5. Manner of bidding in the issue i.e. open bidding or closed bidding.

5.1.6. Manner of allotment in the issue i.e. uniform yield allotment or multiple yield allotment.

5.1.7. Manner of settlement in the issue i.e. through clearing corporation or through escrow bank account of issuer.

5.1.8. Settlement cycle i.e. T+1 or T+2 day.

5.4. The issuer may choose to disclose estimated cut-off yield to the EBP, however the same has to be disclosed at least one hour prior to opening of the bidding for the issue.

5.5. Subsequent to closure of the issue, the issuer shall ensure following details of the issue are provided on the EBP platform:

Table 1: Details of allotment in private placement

Details of Investors to whom allotment has been made			
Name	QIB/ Non-QIB	Category i.e. Scheduled Commercial Banks, MF, Insurance Company, Pension Fund, Provident Fund, FPI, PFI, Corporate, Others	Amount invested in Rs. crore

6. Participants:

- 6.1. Participants, prior to entering into the bidding process shall be required to enroll with EBP. Such enrollment of a participant on an EBP will be onetime exercise and shall be valid till the time such enrolment is annulled or rescinded.
- 6.2. The KYC verification and enrolment of the eligible participants on the EBP platform shall be done in the following manner:
 - 6.2.1. KYC verification shall be undertaken by obtaining/ utilizing existing KYCs of clients from KYC Registration Agencies (KRAs) registered with SEBI or on the basis of the guidelines as prescribed by SEBI from time to time.
 - 6.2.2. For QIB investors bidding directly or through arranger(s), KYCs and enrolment shall be done by the EBP.
 - 6.2.3. For non-QIB investors bidding directly, KYCs shall be done by the issuer and enrolment shall be done by the EBP.
 - 6.2.4. For non-QIB investors, which are bidding through arranger(s), KYC and enrolment on EBP shall be ensured by arranger(s).
- 6.3. EBPs shall ensure that all eligible participants have access to the Placement Memorandum (PM), term sheet and other issue specific information available with them.
- 6.4. Each eligible participant shall provide confirmation to the EBP that it is not using any software, algorithm, Bots or other automation tools, which would give unfair access for placing bids on the EBP platform.
- 6.5. Each EBP shall ensure that it does not provide any preferential access to any bidder on a selective basis.
- 6.6. An eligible participant cannot bid for an amount more than Rs.100 crore or 5% of the base issue size, whichever is lower, through arranger(s) on the EBP platform.

Provided that Foreign Portfolio Investors may bid through their custodians.
- 6.7. An arranger can bid, on behalf of multiple participants, subject to the limits for each participant, as mentioned above.
- 6.8. For bids made by an arranger for any particular issue, such arranger shall disclose the following to the EBP at the time of bidding:

- 6.8.1. Specify that whether the bid is:
- a proprietary bid; or
 - a client bid i.e. entered on behalf of an eligible participant; or
 - a consolidated bid i.e. an aggregate bid consisting of proprietary bid and Client bids.
- 6.8.2. For consolidated bid, arranger shall disclose breakup between proprietary bid and client bid(s). Further, for client bids, the following shall be disclosed:
- Names of such eligible participants;
 - Category (i.e. QIB or non-QIB); and
 - Quantum of bid of each eligible participant.

7. Bidding, allotment and settlement process:

7.1. Bidding timings and period:

- 7.1.1. In order to ensure operational uniformity across various EBP platforms, the bidding on the EBP platform shall take place between 9 a.m. to 5 p.m. only, on the working days of the recognized stock exchanges.
- 7.1.2. The bidding window shall be open for the period as specified by the issuer in the bidding announcement; however, the same shall be open for at least one hour.
- 7.1.3. An issuer can provide details of the eligible participant(s) for a particular issue, to the EBP, not later than one hour before the bidding start time.

7.2. Bidding announcement:

- 7.2.1. Issuer shall make the bidding announcement on EBP at least one working day before initiating the bidding process.
- 7.2.2. Bidding announcement shall be accompanied with details of bid opening and closing time, and any other details as required by the EBP from time to time.
- 7.2.3. Any change in bidding time and/ or date by the issuer shall be intimated to the EBP, ensuring that such announcement is made within the operating hours of the EBP, at least a day before the bidding date.

Provided that such changes in bidding date or time shall be allowed for a maximum of two times.

7.3. The bidding process on EBP platform shall be on an anonymous order driven system.

7.4. Bid shall be made by way of entering bid in:

- Price; or
- Coupon (in %), up to four decimal places; or
- Spread in basis points (bps).

Further, the bid amount shall be specified in Rupees (INR).

- 7.5. Bidding process shall be based on the following:
- 7.5.1. Coupon specified by issuer: The face value and coupon remaining constant, bids/ quotes shall be placed by the bidders in terms of price.
- 7.5.2. Coupon/ spread discovered during bidding: The face value remaining constant, bids/ quotes shall be placed by the bidders in terms of coupon/ spread.
- 7.6. Investors may place multiple bids in an issue.
- 7.7. Modification or cancellation of the bids shall be allowed i.e. bidder can cancel or modify the bids made in an issue, subject to the following:
- 7.7.1. such cancellation/ modification in the bids can be made only during the bidding period;
- 7.7.2. no cancellation of bids shall be permitted in the last 10 minutes of the bidding period; and
- 7.7.3. in the last 10 minutes of the bidding period, only revision allowed would be for:
- a. downward revision of coupon/ spread or upward modification of price; and/ or
- b. upward revision in terms of the bid size.
- 7.8. The bid placed in the system shall have an audit trail which includes bidder's identification details, time stamp and unique order number. Further against such bids, the EBP shall provide an acknowledgement.
- 7.9. All the bids made in a particular issue shall be disclosed on the EBP platform, in the following format:

Table 2: Details of cumulative demand received on EBP platform

Coupon/ spread	price/ spread	Amount demand at that particular coupon/ price/ spread (in Rs. crore)	Cumulative amount demand (in Rs. crore)

- 7.10. For issues with open bidding, the aforesaid information shall be disseminated on a real time basis; however, for issues with closed bidding, the information shall be disseminated after closure of bidding.
- 7.11. Allotment and settlement amount for the bidders shall be based on the following:
- 7.11.1. Coupon specified by issuer: All bids shall be arranged as per 'price time priority'.

- a. In case of '*uniform yield allotment*', allotment and settlement value shall be based on the cut-off price determined in the bidding process.
- b. In case of '*multiple yield allotment*', allotment and settlement value shall be based on the price quoted by each bidder/ allottee in the bidding process.

7.11.2. Coupon discovered during bidding: All bids shall be arranged as per 'yield time priority'.

- a. In case of '*uniform yield allotment*', allotment and settlement value shall be based on the face value.
- b. In case of '*multiple yield allotment*', allotment and settlement value shall be based on the price adjusted as per the coupon/ spread quoted by each bidder/ allottee in the bidding process.

7.11.3. If two or more bids have the same coupon/ price/ spread and time, then allotment shall be done on '*pro-rata*' basis.

8. Anchor portion within the base issue size:

8.1. Issuer shall have an option to avail an '*anchor portion*' within the base issue size, subject to the below mentioned conditions:

- 8.1.1. Issuer shall have the discretion to select the anchor investor(s) for the anchor portion.
- 8.1.2. The quantum of allocation(s) to the anchor investor(s) shall be at the discretion of the issuer, subject to total allocation to the anchor(s) not exceeding 30% of the base issue size.
- 8.1.3. There shall be no bidding for anchor portion on the EBP platform.
- 8.1.4. If the issuer opts for anchor portion, the same shall be suitably disclosed in the placement memorandum and the term sheet, along with the relevant quantum (maximum 30%).
- 8.1.5. Issuer shall disclose details of the anchor investor(s) and the corresponding quantum allocated, to the EBP, along with the Placement Memorandum and the term sheet.
- 8.1.6. The settlement amount for the anchor investor(s) shall be determined on the basis of the following:

- a. Coupon specified by the issuer:

Uniform yield allotment: The 'cut-off' price determined in the bidding process (in case of issues with anchor portion, it will imply total issue size less the anchor portion).

Multiple yield allotment: Face value of the security.

Provided that, in case of re-issuance, the '*cut-off*' price determined in the bidding process shall be applicable on the anchor investor(s).

b. Coupon/ spread determined in the bidding process:

Uniform yield or multiple yield allotment: Face value of the security

8.2. The remaining portion of the issue (i.e. the non-anchor portion within the base issue size and the green shoe portion), shall be open for bidding by the eligible participants at the chosen time slot on the EBP platform. The anchor investor(s) may also participate in the said portion if identified as eligible participant(s) by the issuer.

9. Pay-in obligations:

9.1. Pay-in towards the allotment of securities shall be done from the account of the bidder, to whom allocation is to be made. For bids made by the arranger on behalf of eligible participant(s), pay-in towards allotment of securities shall be made from the account of such eligible participants.

9.2. Pay-in of funds through escrow bank account of issuer: The pay-in of funds towards an issue on EBP shall be permitted either through clearing corporations of stock exchanges or through the escrow bank account of an issuer. An issuer, in its PM, shall disclose the manner of pay-in of funds so chosen and details thereof. The process of pay-in of funds by investors and pay-out to issuer can be done on either T+1 or T+2 day, where T day is the issue day, and the same shall be disclosed by the issuer in the PM.

9.3. In case of non-fulfillment of pay-in obligations by allottees and anchor investor(s), such allottees and anchor investor(s) shall be debarred from accessing the bidding platform across all EBPs for a period of thirty days from the date of such default.

9.4. In case of three instances of non-fulfillment of pay-in obligations, across all EBPs, by client(s) for whom an arranger has bid, then such arranger shall be debarred from accessing the bidding platform on any EBP, for a period of seven days from the date of the such third or subsequent default.

9.5. Pay in shall be done through the clearing corporations of stock exchanges, as per their operating guidelines, or through an escrow bank account of the issuer, as mentioned below.

Provided that where the issuer has selected the escrow bank account as the mechanism for pay-in, EBP, pursuant to successful closure of issue, shall share the allocation details with the Registrar to an Issue, associated with the issue.

9.6. Process flow of settlement, where funds pay-in is to be made to escrow bank account of issuer:

- 9.6.1. Successful bidders, in an issue, will make pay-in of funds towards the allocation made to them, in the escrow bank account within the timelines, as provided by the issuer in the PM/ IM. The funds pay-in by the successful bidders will be made only from the bank account(s), which have been provided/ updated in the EBP system. Further, pay-in received from any other bank account will lead to cancellation of bid and consequent debarment of the investor from accessing EBP platform for 30 days.
- 9.6.2. Escrow bank, pursuant to receipt of funds will provide a confirmation to the RTA, associated with the issue, about receipt of funds along with details including name of bank account holder, bank account number and the quantum of funds received.
- 9.6.3. RTA, will then reconcile the information received from escrow bank with the details as provided by EBP and after reconciliation RTA shall intimate to the issuer about receipt of funds. Subsequently, issuer will initiate the process of corporate action through the RTA to Depository.
- 9.6.4. RTA, after passing on the instructions for corporate action to the depositories, will issue instruction to the escrow bank to release money to the issuers bank account.

10. Withdrawal of offer by an issuer:

- 10.1. An issuer, at its discretion, may withdraw from the issue process at any time; however, subsequent to such withdrawal, the issuer shall not be allowed to access any of the EBP platforms for a period of seven days from the date of such withdrawal. A withdrawal from the issue process shall imply withdrawal of the total issue including anchor portion.
- 10.2. If an issuer withdraws from the issue because of any of the reasons as outlined below, the restrictions mentioned in the above paragraph shall not be applicable:
 - 10.2.1. issuer is unable to receive the bids up to the base issue size; or
 - 10.2.2. bidder has defaulted on payment towards the allotment, within stipulated timeframe, due to which the issuer is unable to fulfill the base issue size; or
 - 10.2.3. cut-off yield (i.e. the highest yield at which a bid is accepted) in the issue is higher than the estimated cut-off yield (i.e. the yield estimated by the issuer, prior to opening of issue) disclosed to the EBP, where the base issue size is fully subscribed.
- 10.3. Disclosure of estimated cut-off yield on the EBP platform to the eligible participants, pursuant to closure of issue, shall be at the discretion of the issuer.
- 10.4. In case an issuer withdraws issues on the EBP platform because of the cut-off yield being higher than the estimated cut-off yield, the EBP shall mandatorily disclose the estimated cut-off yield to the eligible participants.

11. Responsibilities of various entities involved in the process:

11.1. Issuer shall:

- 11.1.1. open an escrow bank account/ have an escrow bank account jointly with a RTA, where the role of the RTA in operating such bank account shall be limited to the responsibilities as provided under this circular;
- 11.1.2. provide the details of escrow bank account in which pay-in of funds has to be made and the timelines by which such pay-in shall be done by the successful bidders; and
- 11.1.3. effect corporate action for credit of securities to the successful bidders, after receiving confirmation from the RTA about receipt of funds.

11.2. RTA shall:

- 11.2.1. undertake reconciliation between information received from the escrow Bank and EBP. Further, after reconciliation, shall intimate the issuer about the receipt of funds and shortfall, if any, and the reasons thereof;
- 11.2.2. issue instructions to the escrow bank account for the release of funds, after passing on the instructions for corporate action to the depositories; and
- 11.2.3. intimate to the EBP, upon closure of the issue, the status of the issue i.e. successful or withdrawn, details of defaulting investors etc.

12. Obligations and duties of EBP:

12.1. An EBP shall:

- 12.1.1. provide an on-line platform for placing bids;
- 12.1.2. have necessary infrastructure like adequate office space, equipment, risk management capabilities, manpower and other information technology infrastructure to effectively discharge the activities of an EBP;
- 12.1.3. ensure that the PM, term sheet and other issue related information is available to the eligible participants on its platform immediately on receipt of the same from the issuer;
- 12.1.4. have adequate backup, disaster management and recovery systems; and
- 12.1.5. ensure safety, secrecy, integrity and retrievability of data.

12.2. EBPs shall ensure that all details regarding the issuance is updated on its website.

12.3. EBPs shall together ensure that the operational procedure is standardized across all EBP platforms and the details of such operational procedure are disclosed on their websites.

- 12.4. Where an issuer has disclosed estimated cut-off yield to the EBP, the EBP shall ensure its electronic audit trail and secrecy. However, in case issuers withdraw issues on the EBP because of the cut off yield being higher than the estimated cut off yield, the EBP shall mandatorily disclose the estimated cut off yield in its platform.
- 12.5. EBPs shall ensure coordination amongst themselves and also with depositories so as to ensure that the cooling off period for issuers and debarment period for investors is adhered to.
- 12.6. EBPs shall ensure that bidding is done in the manner as specified.
- 12.7. The EBP shall be responsible for accurate, timely and secured bidding process of the electronic bid by the bidders.
- 12.8. The EBP shall provide a facility to the eligible participants to define the limits/ range, within which quotes may be placed, from its user interface, to avoid '*fat finger*' errors.
- 12.9. The EBP shall be responsible for addressing investor grievances arising from bidding process.

13. CISA Audit of EBP Platform:

The EBP platform so provided by the EBP shall be subject to audit by a CISA at least once a year.

14. Electronic Book Providers are directed to:

- 14.1. comply with the conditions laid down hereunder;
- 14.2. put in place necessary systems and infrastructure for implementation and make consequential changes, if any, to their bidding portal and respective exchange bye-laws; and communicate and create awareness about these provisions amongst issuers, arrangers and investors.