Borrowing norms for big cos eased

Sebi removes penalty, introduces incentives

KHUSHBOO TIWARI
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The Securities and Exchange Board of India (Sebi) relaxed the framework mandating large corporates (LCs) to access the corporate bond market for debt-raising on Thursday.

At its board meeting on Thursday, the capital markets regulator increased the threshold for defining LCs and removed penalties imposed on companies failing to raise the mandated amount through debt securities issuance. Sebi's rules, primarily aimed at deepening the corporate bond market, require LC borrowers to secure one-fourth of their incremental borrowing through debentures within a two-year period.

A penalty of 0.2 per cent of the shortfall was initially imposed in cases of non-compliance.

With the introduction of a higher monetary threshold for identifying LCs, the scope of these measures will be applicable to fewer companies.

While the specific new LC threshold was not mentioned in the Sebi release, experts suggest it could apply to companies with outstanding listed debentures of ₹500 crore or more. Moreover, LCs that exceed the minimum borrowing limit through the debt market will also receive certain incentives, according to Sebi.

Sebi's rules require corporate borrowers to secure one-fourth of their incremental borrowing through debentures

Industry bodies had previously argued that Sebi's prescribed limit was challenging to achieve, as borrowing through the debt market incurred higher costs and did not accommodate government subsidies and packages for specific sectors.

Turn to Page 7 ▸

the investigation from a wilful default angle in every case before transferring the credit facility to other transferees.

Borrowing norms...

"To facilitate ease of compliance and ease of doing business, the board also decided to retain the requirement that compliance with the framework will be met over a contiguous block of three years," Sebi said in a release.

Additionally, LCs will no longer be obligated to submit a compliance statement.

During the same meeting, the Sebi board also eased the higher educational certification requirements for investment advisors. Previously, investment advisors were required to obtain additional certification from the National Institute of Securities Markets by September 30, 2023. The regulator has now extended the compliance deadline by an additional two years.

The Sebi board also approved measures to streamline the transfer of unclaimed amounts held in the Investor Education and Protection Fund for investors in listed debt, real estate investment trusts, and infrastructure investment trusts.

Sebi stated that the aim is to prescribe a uniform process for claiming such amounts.

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