



## Amendments and changes to SEBI IFSC guidelines 2015 - relating to Issuance, listing, trading of debt securities

Earlier, the Securities and Exchange Board of India (SEBI) had issued SEBI (International Financial Services Centres) Guidelines, 2015 on 27 March 2015 to facilitate and regulate financial services relating to securities market in an International Financial Services Centre set up under the Special Economic Zones Act, 2005. Chapter V of the said guidelines provided guidelines relating to Issue of debt securities.

Recently, the SEBI has issued Circular No. 96 and 97 dated 31 August 2017 in relation to debt securities:

**Vide Circular 96 dealing with Issue, listing and trading of debt securities in IFSC, SEBI has decided the following –**

SEBI decisions	Action Points
<p>For issuing debt securities in IFSC, stock exchanges shall evolve a detailed framework prescribing the <b>eligibility criteria</b> for the issuers, and the <b>issue requirements</b> to be complied with by the eligible issuers.</p>	<p>Stock Exchanges shall submit the framework and subsequent changes made thereto, to SEBI for approval</p>
<p>Listing of debt securities which are issued outside of IFSC on stock exchanges in IFSC allowed – Debt securities issued in FATF member jurisdictions by issuers resident of FATF member jurisdictions can be listed on stock exchanges in IFSC. Issuer of debt security shall enter into listing agreement with stock exchanges where securities are intended to be listed</p>	<p>Stock Exchanges in IFSC to evolve a detailed framework prescribing initial and continuous listing requirements, including corporate governance to be complied with by issuers whose securities are listed/ proposed.</p> <p>Stock Exchanges shall submit the framework and subsequent changes made thereto, to SEBI for approval</p>
<p>Over the Counter trading of debt securities allowed in IFSC subject to clearing and settlement through clearing corporations set up in IFSC. Earlier, debt securities were allowed to be traded on the platform of stock exchange.</p>	<p>Clearing Corporations Exchanges shall submit the clearing and settlement framework and subsequent changes made thereto, to SEBI for approval</p>

Reporting of all OTC trades shall be done on the reporting platform on <b>any one</b> recognized stock exchange in IFSC within 15 minutes of the trade. Trades to be reported on the platform of only one recognized stock exchange to <b>avoid duplication</b> , and the buyer and seller to report on the <b>same platform</b> to <b>ensure matching</b> of trades of both sides of the trades.	
Person resident in India shall not invest/trade in Rupee denominated bonds issued/ listed in IFSC (except to the extent permitted by RBI). Such a person shall also not invest/trade in other debt securities issued/ listed in IFSC by Indian entities.	

**Circular 97 seeks to amend the SEBI IFSC guidelines relating to debt securities as follows –**

<b>Guideline number</b>	<b>Earlier worded clause - Emphasis on aspects changed in blue</b>	<b>Amended clause – Emphasis on changes made in red</b>	<b>Our comments on Impact/ Changes</b>
<b>17 - Credit Rating Requirement</b>	For debt issues <b>within</b> IFSC, the credit rating may be obtained either from a recognized credit rating agency registered with the Board or from any other credit rating agency registered in a <b>foreign</b> jurisdiction.	For debt securities <b>listed on stock exchanges</b> in IFSC, the credit rating shall be obtained either from a credit rating agency registered with the Board or from any other credit rating agency registered in a <b>Financial Action Task Force (FATF) member</b> jurisdiction.	Emphasis is on issuer obtaining a rating from a credit rating agency registered with SEBI or agency registered in FATF member jurisdiction.
<b>18 – Agreement with depository or custodian</b>	<p>(1) An issuer of debt securities shall enter into an agreement with a depository or custodian <b>eligible to operate in IFSC</b> for issue of the debt securities, for the purpose of holding and safekeeping of such securities and also to facilitate transfer, redemption and other corporate actions in respect of such debt securities.</p> <p>(2) Necessary disclosure regarding appointment of depository or custodian shall be made in the information memorandum:</p> <p><b>Provided, where the issuer has a registered office or branch office in IFSC, it may service investors from such office and need not appoint depository or custodian.</b></p>	<p>(1) An issuer of debt securities shall enter into an agreement with a depository or custodian, <b>registered in a Financial Action Task Force (FATF) member jurisdiction</b>, for issue of the debt securities, for the purpose of holding and safekeeping of such securities and also to facilitate transfer, redemption and other corporate actions in respect of such debt securities.</p> <p>(2) Necessary disclosures regarding appointment of depository or custodian shall be made in the information memorandum.</p>	<p>Earlier, issuer had to enter into agreement with depository/ custodian eligible to operate in IFSC. Now it shall enter into agreement with depository/ custodian from FATF member jurisdiction.</p> <p>The option of <b>not</b> appointing a depository where issuer had registered office/ branch in IFSC from which it serviced investors, seems to have been done away with and no longer available.</p>

<p><b>19 - Reporting of financial statements</b></p>	<p>The <b>issuer</b> of debt securities in IFSC shall prepare its statement of accounts in accordance with <b>Companies Act, 2013 as applicable in IFSC.</b></p>	<p>The entities <b>issuing and/or listing</b> their debt securities in IFSC shall prepare their statement of accounts in accordance with <b>IFRS/US GAAP or accounting standards as applicable to them in their place of incorporation.</b></p> <p><b>In case an entity does not prepare its statement of accounts in accordance with IFRS/US GAAP, a quantitative summary of significant differences between national accounting standards and IFRS shall be prepared by such entity and incorporated in the relevant disclosure documents to be filed with the exchange.</b></p>	<p>Need for issuer to prepare its statement of accounts as per IFRS/ US GAAP, <u>or</u> as per their local accounting standards along with quantitative summary of difference between national AS and IFRS which is to be included in documents to be filed with the exchange.</p>
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Source: <http://www.sebi.gov.in>

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