

**Joint Press Release: Advisory to Investors on dealing with
Online Bond Platform Providers (OBPPs)
and the factors affecting the yield of the bonds**

With the growing popularity of online bond platforms, investors now have easier access to various fixed-income instruments. However, it is crucial to understand the underlying features, risks, and costs associated with such investments to make informed decisions.

One of the most important concepts to understand is the Yield to Maturity (YTM), which represents the total annualized return an investor can expect if the bond is held until its maturity. YTM takes into account the bond's current market price, its periodic coupon payments, and the time remaining until maturity. It is important to note that YTM is not a guaranteed return—it can fluctuate based on factors such as changes in market interest rates, liquidity conditions, time to maturity, and the creditworthiness of the issuer. Also, if the bond is sold before maturity, the actual return may differ significantly from the indicated YTM. Generally, when a bond's price is below its face value, its YTM is higher than its coupon rate, and vice versa.

The coupon rate of a bond refers to the fixed annual interest paid by the issuer, calculated as a percentage of the bond's face value. This provides regular income to investors, usually on a semi-annual or annual basis. However, these payments are not risk-free—they are dependent on the financial health and credit reliability of the issuer. Any delay or default in payments can adversely affect investor returns.

It is also essential to understand the relationship between bond prices and yields, which move in opposite directions. When interest rates in the market rise, bond prices fall, leading to higher yields, and when interest rates fall, bond prices increase, lowering the yield. This inverse relationship is fundamental to assessing interest rate risk and understanding potential price movements in the secondary market.

Brokerage reversal or zero brokerage can have a direct impact on the YTM by lowering the overall cost of investment, thereby slightly enhancing the effective return. The final return should always be assessed after considering all associated costs, fees, and applicable taxes.

Before investing through any online bond platform, investors must take into account several important factors such as checking the bond's credit rating, the issuer's track record in timely repayments, the liquidity of the instrument, settlement timelines, and the tax implications of the investment. Additionally, it is crucial to verify that the platform is a SEBI-registered Online Bond Platform Provider (OBPP). Investors should carefully read platform disclaimers, understand the terms and conditions, and ensure that transactions are carried out through properly regulated and secure systems.

Investors are advised that the risk and return on corporate bond investment vary based on the credit rating of the instruments. A rating-wise risk scale, similar to mutual funds risk-o-meter, may be considered.

Lack of awareness or understanding of these aspects can result in misjudged risks and potential capital loss. Therefore, investors are strongly advised to conduct due diligence before proceeding with any bond investment.

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