The Executive Directors/Managing Director/Administrators
Of All Stock Exchanges

Dear Sir/Madam,


1. Companies have been issuing debt securities on private placement basis from time to time. In order to provide greater transparency to such issuances and to protect the interest of investors in such securities, it has been decided that any listed company making issue of debt securities on a private placement basis and listed on a stock exchange shall be required to comply with the following:-

   1.1. The company shall make full disclosures (initial and continuing) in the manner prescribed in Schedule II of the Companies Act, 1956, SEBI (Disclosure and Investor Protection) Guidelines, 2000 and the Listing Agreement with the exchanges. However, if the privately placed debt securities are in standard denomination of Rs.10 Lakhs, such disclosures may be made only through web sites of the stock exchange where the debt securities are sought to be listed.

   1.2. The debt securities shall carry a credit rating of not less than investment grade from a Credit Rating Agency registered with the Board.

   1.3. The company shall appoint a debenture trustee registered with SEBI in respect of the issue of the debt securities.

   1.4. The debt securities shall be issued and traded in demat form.

   1.5. The company shall sign a separate listing agreement with the exchange in respect of debt securities and comply with the conditions of listing.

   1.6. All trades with the exception of spot transactions, in a listed debt security, shall be executed only on the trading platform of a stock exchange.
1.7. The trading in privately placed debts shall only take place between Qualified Institutional Investors (QIBs) and High Networth Individuals (HNIs), in standard denomination of Rs.10 lakhs.

1.8. The requirement of Rule 19(2)(b) of the Securities Contract (Regulation) Rules, 1957 will not be applicable to listing of privately placed debt securities on exchanges, provided all the above requirements are complied with.

1.9. If the intermediaries registered with SEBI associate themselves with the issuance of private placement of unlisted debt securities, they will be held accountable for such issues. They will also be required to furnish periodical reports to SEBI in such format as may be decided by SEBI.

2. The stock exchanges are directed to:

2.1 make necessary amendments to the listing agreement, bye-laws, rules and regulations for the implementation of the above decision immediately, as may be applicable.

2.2 bring the provisions of this circular to the notice of the listed companies/member brokers/clearing members of the Exchange and also to disseminate the same on the website for easy access to the investors; and

2.3 communicate to SEBI, the status of the implementation of the provisions of this circular in Section II, item no. 13 of the Monthly Development Report for the month of October 2003.

3. This circular is being issued in exercise of powers conferred by section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with section 10 of the Securities Contracts (Regulation) Act 1956, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

V S SUNDARESAN