



PR No. 13/2022

SEBI issues operational guidelines for “Security and Covenant Monitoring using Distributed Ledger Technology (DLT)”

In order to strengthen the process of security creation and monitoring of security created, asset cover and covenants of the non-convertible securities, SEBI vide circular dated August 13, 2021 had specified the manner of recording of charges by Issuers and manner of monitoring by Debenture Trustees (DTs), Credit Rating Agencies, etc. and responsibilities thereof. Accordingly, with effect from April 01, 2022, the recording of asset details (and their verification), allotment, listing and payment of interest or redemption shall be available in the DLT system. Operational guidelines in this regard have been issued vide SEBI circular dated March 29, 2022.

To ensure uniqueness of the assets of the issuer offered as security, appropriate validation/ duplicate checks based on parameters identified for each asset type have been put in place in the system. Debenture Trustees, on a yearly basis, shall also reconcile and eliminate duplicate entries for an asset in the system. Further, for data exchange and verification across depositories, format for unique Asset ID assigned to an asset has also been standardised to a 12-digit alphanumeric string.

To begin with, movable assets viz furniture, equipment, inventory etc., current assets viz portfolio of advances/ receivables, etc. and any other asset of similar nature shall be tracked at portfolio level.

The said system is applicable to all the issuers proposing to issue non-convertible securities on or after April 01, 2022 and they shall record the details in the system before activation of ISIN. Depositories shall allot or unfreeze an existing ISIN (in case of re-issuance), as applicable only after confirming recording of above-mentioned information by issuers.

However, a relaxation till July 01, 2022 has been provided to issuers who are unable to record details in the system after providing explanation to Depositories, post which ISIN shall not be allotted to an issuer for non-compliance. Further, for existing outstanding non-convertible securities, issuers shall enter the details into the DLT system on or before September 30, 2022.

The said Circular can be accessed on the SEBI website www.sebi.gov.in under the link Legal > Circulars.

Mumbai

April 18, 2022