

SEBI/ HO/ MIRSD/ CRADT/ CIR/ P/ 2022/ 38

March 29, 2022

To,

Issuers who have listed and/ or propose to list Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities or Commercial Paper; Recognized Stock Exchanges;

All Debenture Trustees registered with SEBI;

All Credit Rating Agencies registered with SEBI;

All Depositories registered with SEBI

Sir/ Madam,

Sub: Operational guidelines for 'Security and Covenant Monitoring' using Distributed Ledger Technology (DLT)

1. SEBI vide Circular numbered SEBI/HO/MIRSD/MIRSD_CRADT/CIR/P/2021/618 dated August 13, 2021, 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 system.
2. As the backbone of the DLT system would be uniqueness of assets recorded in the DLT system, a system generated unique identifier (Asset ID) shall be allotted for each asset offered by Issuer as security for the non-convertible securities. For data exchange and verification across depositories, format for unique Asset ID shall be a 12-digit alphanumeric string, which will be generated as provided in **Annexure-I**.
3. To ensure that there is only one unique asset ID assigned to an asset of the issuer for effective asset creation as well as tracking, the DLT system will provide an alert to the Issuer and the DT by having appropriate validation/ duplicate checks in the system for identifying possible duplicate entries for assets of an issuer and this validation/duplication check shall be based on the parameters as per **Annexure-II**. Issuers shall ensure that the entry of the asset is made only once in the DLT system for generation of the unique Asset ID, which shall be verified by the DT.

4. To begin with, the following assets shall be tracked at portfolio level and no specific parameters for the underlying assets would be captured:
 - a. movable assets viz furniture, equipment, inventory etc.
 - b. current assets viz portfolio of advances/ receivables, etc.
 - c. any other asset of similar nature.

5. On detection of duplicate/ near duplicate asset, an alert shall be generated and sent to the Issuer and DT to cross check and verify the details entered into the system for assets creation. The Issuer and the DT will be able to override the alert after verifying the same.

6. **Monitoring/Trigger events:**
 - a. While the depositories shall ensure that there is only one unique asset ID assigned to an asset of the issuer, DTs, on a yearly basis, will reconcile the list of assets recorded in the system for an Issuer and in case any duplicate entry is found for an asset, it shall take necessary steps to eliminate such duplicate entries in the system and verify security cover thereof and take remedial action, if required.

 - b. Any event which reduces the security cover below the mandated/ stipulated limit, as per regulation 54 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, shall be updated by the issuer in the system immediately. Such event shall be termed as 'trigger event' and depositories shall send such trigger events' alerts to all the concerned stakeholders.

7. Further, the following clauses in SEBI Circular SEBI/HO/MIRSD/MIRSD_CRADT/CIR/P/2021/618 dated August 13, 2021, are modified as under:
 - a. Paragraph 9 and para 10.1(c) regarding "asset cover" stands deleted
 - b. All references to term "asset cover" stand deleted
 - c. Para 17 shall be replaced as under:

"Issuer shall upload all the credit rating information for non-convertible securities including rating action, date of press release and hyperlink for press release of credit rating. CRAs shall access the platform to validate the rating information uploaded by the Issuer. In case of any discrepancy, Issuer or CRAs shall notify the same on system and update the correct information in the system within three working days of such notification."

8. Applicability:

- a. All issuers proposing to issue non-convertible securities on or after April 01, 2022 shall record the details in the system before activation of ISIN.
- b. Further, in order to ensure compliance with para 8.a above, Depositories are advised to allot or unfreeze an existing ISIN (in case of re-issuance), as applicable only after confirming recording of above-mentioned information.
- c. Further, where an issuer is unable to comply with the above requirement, it shall provide an explanation to Depositories. However, this dispensation is available only till July 01, 2022, after which ISIN shall not be allotted to an issuer.
- d. For existing outstanding non-convertible securities, issuers will be required to enter the details into the DLT system on or before September 30, 2022 and DTs shall verify the same by November 30, 2022.

9. This circular is issued in exercise of the powers conferred upon SEBI under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 read with the provisions of Regulation 2A of the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, Regulation 55 of the Securities and Exchange Board of India (Issue And Listing Of Non-Convertible Securities) Regulations, 2021, Regulation 29 of the Securities and Exchange Board of India (Issue and Listing of Municipal Debt Securities) Regulations, 2015, Regulation 48 of SDI Regulations, 2008 and Regulation 20 of SEBI (Credit Rating Agencies) Regulations, 1999 to protect the interest of investors in securities and to promote the development of, and to regulate, the securities market.
10. This circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework" and "Circulars".

Yours faithfully,

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Annexure-I

Asset ID = System Code + Asset Type + Asset Sub Type + Unique Number + Check Digit

| | |
|----------------|---|
| System Code | 2 characters ('IN' – for all asset types and sub-types) |
| Asset type | 2 character Alphanumeric |
| Asset sub-type | 2 character Alphanumeric |
| Unique Number | 5 character alphanumeric sequential (start with 00001 to 99999. Post full utilization of numbering then prefix will start from A-Z.) |
| Check Digit | 1 digit |

Annexure-II

1. **Common parameters across asset types:** The following is an indicative list of parameters which shall be captured for all categories of asset types and sub-types to assign Asset ID:
 - a. Asset name
 - b. Short description of Asset
 - c. Asset type & sub-type
 - d. Address details of the assets including PIN Code for assets located in India, wherever available.
 - e. Ownership details of the asset
 - f. Valuation details of the asset
 - g. Unique Identification Number, if any, provided by regulator/agencies and the agency identifier.
 - h. Code along with Code Description in ERP (Enterprise Resource Planning) system of the issuer, wherever available.
 - i. Code along with Code Description in FAR (Fixed Asset Register) of the issuer, wherever available.
 - j. Validity/ Expiry date, if any.
 - k. Encumbrance/ lien details, if any.

2. **Specific additional parameters for certain asset types:** In addition to the above, following parameters shall also be captured for these specific asset types and sub-types.

| Sr. No. | Asset Type | Asset Sub Type | Parameters to compare for Duplicate check |
|---------|--------------------|--|--|
| 1. | Immovable Property | All (Residential, Commercial, Industrial, Agriculture, etc.) | a. Area of the property b. Geographical Co-ordinates (Latitude/ Longitude). |

| | | | |
|----|------------------------------------|--|--|
| 2. | Current Assets | Specific accounts maintained (DSRA, DRR, MMR etc.) | <ul style="list-style-type: none"> a. Details related to account maintained such as Bank Name, account number, IFSC code etc. b. Mode of maintenance of account (Current account/ Fixed Deposit/ Bank Guarantee etc.) and details thereof. |
| 3. | Securities/ other financial assets | Securities in Demat form | <ul style="list-style-type: none"> a. Demat Account Number b. ISIN Number c. Quantity d. Pledgee and pledger details |
| 4. | Guarantees | Government | <ul style="list-style-type: none"> a. Issuing Authority b. Government order number c. Government order date d. Guarantee Amount |
| | | Corporate | <ul style="list-style-type: none"> a. Guarantor details such as Name of company, address, net worth etc. b. PAN/CIN No. for guarantors in India c. For guarantors outside India <ul style="list-style-type: none"> i. Unique Identification Number provided by Regulator/ Authority of the host country ii. Issuing Regulator/ Authority d. Guarantee Amount |
| | | Personal | <ul style="list-style-type: none"> a. Guarantor details such as Name of company, address, net worth etc. b. PAN No for guarantors in India c. For guarantors outside India <ul style="list-style-type: none"> i. Passport Number ii. Passport Issuing Country <p style="margin-left: 40px;">Any other Unique Number provided by regulator of the host country along with name of the regulator.</p> d. Guarantee Amount |