



MASTER CIRCULAR FOR DEBENTURE TRUSTEES

SEBI/ HO/ MIRSD/ DOP2/ CIR/ P/ 2018/ 0000000063

April 09, 2018

To,

All Debenture Trustees

Dear Sir / Madam,

Subject: Master Circular for Debenture Trustees (DTs)

Securities and Exchange Board of India (SEBI) has been issuing various circulars/directions from time to time. In order to enable the users to have an access to all the applicable circulars/directions at one place, Master Circular for Debenture Trustees (DTs) has been prepared.

This Master Circular is a compilation of the circulars/communications issued by SEBI up to March 31, 2018 and shall come into force from the date of its issue.

In case of any inconsistency between the Master Circular and the applicable circulars, the contents of the relevant circular shall prevail.

The Master Circular is a compilation of all the existing/ applicable circulars issued by the Market Intermediaries Regulation and Supervision Department of SEBI to **Debenture Trustees**. Efforts have been made to incorporate applicable provisions of existing circulars issued by other Departments of SEBI relevant to **Debenture Trustees**.

Yours faithfully,

Surabhi Gupta
Deputy General Manager
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Section 1: Terms of Registration

1.1 Online Registration Mechanism for Debenture Trustees¹

- 1.1.1 SEBI has decided to operationalize SEBI Intermediary Portal (<https://siportal.sebi.gov.in>) for the SEBI registered Debenture Trustees to submit all the registration applications online. The SEBI Intermediary Portal shall include online application for registration, processing of application, grant of final registration, application for surrender / cancellation, submission of periodical reports, requests for change of name/ address/ other details, etc. Link for SEBI Intermediary Portal is also available on SEBI website – www.sebi.gov.in.
- 1.1.2 SEBI Intermediary Portal has been made operational for Debenture Trustees.
- 1.1.3 Henceforth, all applications for registration/ surrender/other requests will be made through SEBI Intermediary Portal only. The applicants will be separately required to submit relevant documents viz. declarations/ undertakings required as a part of application forms prescribed in relevant regulations, in physical form, only for records without impacting the online processing of applications for registration.
- 1.1.4 In case of any queries and clarifications with regard to the SEBI Intermediary Portal, Debenture Trustees may contact on 022-26449364 or may write at portalhelp@sebi.gov.in.

1.2 Digital Mode of Payment²

- 1.2.1 SEBI has notified the SEBI (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2017 on March 06, 2017 to enable digital mode of payment (RTGS/NEFT/IMPS etc.) of fees/penalties/remittance/other payments etc.
- 1.2.2 Pursuant to above, SEBI has been receiving direct credit of amounts from various intermediaries / other entities.
- 1.2.3 In order to identify and account such direct credit in the SEBI account, it has been decided that Debenture Trustees shall provide the information as mentioned in **Annexure** to SEBI once the payment is made.
- 1.2.4 The above information should be emailed to the respective department(s) as well as to Treasury & Accounts division at tad@sebi.gov.in.

¹ SEBI Circular SEBI/HO/MIRSD/MIRSD1/CIR/P/2017/38 dated May 02, 2017.

² SEBI Circular SEBI/HO/GSD/T&A/CIR/P/2017/42 dated May 16, 2017



Annexure

Date	Department of SEBI	Name of Intermediary/ Other Entities	Type of Intermediary	SEBI Registration Number (if any)
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PAN	Amount (in ₹)	Purpose of Payment (including the period for which payment was made e.g. quarterly, annually)	Bank name and Account number from which payment is remitted	UTR No
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1.3 Grant of prior approval for change in control to Debenture Trustees³

- 1.3.1 Debenture Trustees are required to obtain prior approval of SEBI in case of change in control. With a view to expedite the process of granting prior approval, SEBI has adopted a 'single window clearance at SEBI', for the Debenture Trustees in case of their having multiple registrations with SEBI.
- 1.3.2 Therefore, in case a Debenture Trustee holds multiple registrations with SEBI, it shall make only one application to SEBI addressed to "Chief General Manager, MIRSD, SEBI" accompanied by the following information about itself, the acquirer and the directors/ partners of the acquirer;
- Whether any application was made in the past to SEBI seeking registration in any capacity but it was not granted? If yes, details thereof.
 - Whether any action has been initiated / taken under SCRA/SEBI Act or rules and regulations made thereunder? If yes, status thereof along with corrective action taken to avoid such violations in the future. The acquirer shall also confirm that it shall honour all past liabilities / obligations of the applicant, if any.
 - Whether any investor complaint is pending? If yes, steps taken and confirmation that the acquirer shall resolve the same.
 - Details of litigation, if any.
 - That all the fees due to SEBI have been paid.
 - That there will not be any change in the Board of Directors of incumbent, till the time prior approval is granted.
 - That the incumbent shall inform all its existing investors / clients in order to enable them to take informed decision regarding their continuance or otherwise with the entity with new management.

³ SEBI Circular CIR/MIRSD/14/2011 dated August 02, 2011.

- 1.3.3 Further, in case the incumbent is a registered stock broker and / or depository participant, in addition to the above, it shall obtain approval / NOC from all the Stock Exchanges / Depositories, where the incumbent is a member / Depository Participant and forward a self-attested copy of the same to SEBI.
- 1.3.4 The prior approval granted by SEBI shall be valid for a period of 180 days from the date of communication.

1.4 Surrender of Certificate of Registration⁴

- 1.4.1 If a Debenture Trustee wishes to surrender the registration voluntarily, it shall transfer, wherever relevant, its existing business/ client accounts to another SEBI registered debenture trustee, before they make request to SEBI for accepting the surrender the certificate of registration.
- 1.4.2 The Debenture Trustee may, if he so desires, make a representation for dispensing with the procedure, along with the application, for surrender in terms of the first proviso to Regulation 33B of Securities and Exchange Board of India (Intermediaries) Regulations, 2008 in the prescribed format placed as Annexure.
- 1.4.3 In all cases of transfer of business or client accounts to another registered Debenture Trustee, the clients shall not be subjected to any additional cost.

⁴ SEBI Circular No. SEBI/MIRSD/DR-2/SRP/Cir - 2/ 2005 dated January 4, 2005.



Annexure

Letter of Representation for Debenture Trustee

To

Securities and Exchange Board of India

Dear Sir,

Sub: Surrender of Certificate of Registration as Debenture Trustee, Registration No. ___ .

1. We hereby surrender our certificate of registration as Debenture Trustee.
2. We enclose the original certificate of registration (or indemnity in case the certificate is lost or stolen) for cancellation.
3. We hereby confirm that:
 - a. no complaint /disciplinary proceeding is pending against us;
 - b. no investigation / inquiry by SEBI is pending against us with respect to our activities as a Debenture Trustee;
 - c. as on date of application, we have paid all fees;
 - d. we shall continue to be liable for all liabilities/obligations (including monetary penalties, if any) for violations, if any, of the provisions of the SEBI Act and the SEBI (Debenture Trustee) Rules and Regulations, 1993 that have taken place before our surrender of certificate of registration;
 - e. all our current assignments as a Debenture Trustee have been either duly terminated or transferred to another registered Debenture Trustee _____ with registration no.____ ;
 - f. we have issued a public notice in a widely circulated national and a vernacular daily dated_____ informing surrender of our registration as Debenture Trustee (Please enclose a clipping of the said public notice);
 - g. we have notified the Depositories and all the stock exchanges where our client companies are listed about the surrender of our registration.
4. *We hereby request SEBI to dispense with the procedure laid down in Regulation 33B of Securities and Exchange Board of India (Intermediaries) Regulations, 2008 while processing our request for surrender of certificate of registration.

Thanking you,

Yours faithfully,

Name:

(Whole time/ Managing Director/ Principal Officer)

**Please strike off, if not applicable.*

1.5 Designated e-mail ID for regulatory communication with SEBI⁵

- 1.5.1 SEBI has been communicating with the Debenture Trustees through circulars, letters, directions etc. In order to facilitate the issuance of digitally signed circulars, Debenture Trustees are required to create a designated email id for regulatory communications. This email id shall be an exclusive email id only for the above purpose and should not be a person centric email id.
- 1.5.2 The Designated e-mail ID shall be communicated to SEBI by emailing a file to intermediary@sebi.gov.in, as per the format prescribed below:
- i. The file should be an excel file.
 - ii. The name of the file and the subject of the email shall specify the type of intermediary and the name of the intermediary. For example – “Debenture Trustee – ABC co. Ltd.”
 - iii. The file shall contain the following details:

Name	Address	Category	Registration No.	Designated email id	Name of compliance officer

⁵ SEBI Circular No. MIRS/D/ DPSIII/ Cir-21/ 08 dated July 7, 2008.

Section 2: Obligations, Disclosures and Reporting requirements

2.1 Contents of Trust Deed⁶

2.1.1 It has been observed during inspections that certain clauses are included in the trust deed that limit or extinguish the obligations of Debenture Trustees in relation to any rights or interests of investors or are in conflict with the provisions of the Regulations. It may be noted that such clauses in the existing or new trust deeds shall not be applicable and shall stand null and void.

2.2 Sharing of information regarding Issuer Companies between Debenture Trustees and Credit Rating Agencies⁷

2.2.1 SEBI (Debenture Trustee) Regulations, 1993 require the Debenture Trustees (DTs) to share information regarding the issuer companies that are their clients, with Credit Rating Agencies (CRAs). The purpose of the Regulations is to enable Credit Rating Agencies to perform their obligations effectively.

2.2.2 Debenture Trustees have also expressed the need to receive relevant information on issuer companies from Credit Rating Agencies.

2.2.3 In consultation with Debenture Trustees and Credit Rating Agencies, it has been decided that Debenture Trustees and Credit Rating Agencies shall share information with each other as specified in the Annexure. Debenture Trustees and Credit Rating Agencies shall share any other information from time to time in respect of issues/issuer companies which would help them in effective discharge of their duties.

2.2.4 Further, the Debenture Trustees and Credit Rating Agencies shall assign designated email addresses for sending and receiving such information and ensure appropriate action, if any, based on the information received.

⁶Circular No. CIR/MIRSD/25/2011 dated December 19, 2011.

⁷ Circular CIR/MIRSD/3/2013 dated March 15, 2013

Annexure

Sharing of information between Debenture Trustees (DTs) and Credit Rating Agencies (CRAs)

A. Information from Credit Rating Agencies to Debenture Trustees

1. Rating assigned/revised for debt securities along with the rationale for the same.
2. Press release, outstanding ratings etc. in respect of debt securities.
3. Non-cooperation by the issuers with respect to sharing necessary information for monitoring the credit quality of the rated instrument with Credit Rating Agencies.
4. Press release and separate communication to Debenture Trustee on withdrawal of rating post redemption of entire amount due towards.

B. Information from Debenture Trustees to Credit Rating Agencies

1. Whether the asset in respect of which security has been created is free from any encumbrance and adequate to ensure asset cover for the debentures or if there is any breach of the terms of creation of the security. This information shall be shared on half yearly basis.
2. Funds transferred to Debenture Redemption Reserve (DRR), depletion of the DRR /invocation of guarantee which could affect the payment of debenture obligations. This information shall be shared annually.
3. Details of redemption of the issue.
4. Any default committed including the default in payment of interest or redemption of debentures or delay in creation of security.
5. Any change or restructuring of the terms of the issue.
6. Periodic reports from lead banks about the progress of the project for which funds have been raised through debentures and certificate from issuer's auditors in respect of utilization of funds.
7. Details of grievances filed by debenture-holders and action taken to resolve them.
8. Non-cooperation by the issuer with respect to furnishing required reports/ certificates/ information. Information pertaining to points 3 to 8 shall be shared as and when available.

2.3 Monitoring of Interest/ Principal repayment and sharing of such information with Credit Rating Agencies by Debenture Trustees⁸

2.3.1 It is clarified that the Debenture Trustees shall have adequate systems to ascertain the status of payment of interest/ principal by issuer companies on due dates in timely manner and efficiently share such information with the Credit Rating Agencies in order to comply with the abovementioned provisions, which shall include the following:

- i) The Debenture Trustees shall, at least 7 days prior to the due date of interest/ principal payment, seek ISIN-wise information from issuer companies under intimation to Credit Rating Agencies advising them to confirm the status of payment of interest/ principal on or before the due date.
- ii) If the issuer company confirms the status of payment or where no information is received from the issuer company on or before the due date, the Debenture Trustees shall accordingly provide ISIN-wise information to the Credit Rating Agencies latest by one day after such due date which shall state the following:
 - Information about payment made on or before the due date or;
 - Information about delay/ default in payment or;
 - No information forthcoming from the issuer company on the payment status.
- iii) In cases where the Credit Rating Agencies have been informed as per point no. 2(ii) above that no information is forthcoming from the issuer company on the payment status, the Debenture Trustees shall update the payment status to Credit Rating Agencies as and when any such information is available with the Debenture Trustees.

2.3.2 In addition to the above, it is reiterated that the Debenture Trustees shall also ascertain the status of payment by the Issuer Company on the due dates from various sources available at their disposal which, inter alia, include the websites of stock exchange & Issuer Company, debenture holders and quarterly reports submitted by Issuer Companies.

2.3.3 The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 require the listed entity to submit a certificate to the stock exchange within two days of the interest or principal of the listed debt securities becoming due that it has made timely payment [Regulation 57(1)] and the Debenture Trustee Regulations mandate the Debenture Trustees to exercise due diligence to ensure compliance by the body corporate, with the provisions of the Companies Act, the listing agreement of the stock exchange or the trust deed [Regulation 15(1)(i)].

In this regard, it is clarified that the Debenture Trustees in their communication to the Issuer Companies as mentioned in point no. 2.3.1(i) above shall inform them that non-furnishing of information regarding status of payment by due date or non-disclosure of information with respect to timely payment by them on stock exchange website may be considered as suppression of material information and may attract provisions of Section 12A of the Securities and Exchange Board of India Act, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003

2.3.4 The Debenture Trustee Regulations also mandate that the Debenture Trustees shall not make untrue statement or suppress any material fact in any documents, reports, papers or information furnished to the Board [Clause 19 of Code of Conduct read with Regulation 16] and adequate disclosures are made to the debenture holders, in a comprehensible and timely manner so as to enable them to make a balanced and informed decision [Clause 15 of Code of Conduct read with Regulation 16].

It is clarified that if no information regarding payment by Issuer Company is received by the Debenture Trustees by due date or such information is not disclosed by the issuer company on the stock exchange website, then, the Debenture Trustees shall make reference to SEBI accordingly and disclose the non-availability of such information on their website. It is further clarified that failure to make such reference to SEBI in this regard and non-disclosure on its website shall be considered as aiding and abetting the issuer company in suppression of material information and may attract provisions of Section 12A of the Securities and Exchange Board of India Act, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

2.4 Dissemination of Information on Debentures⁹

2.4.1 The –Debenture Trustees shall disclose the information to the investors and the general public by issuing a press release regarding default by Issuer Company to pay interest on debentures or redemption amount, failure to create a charge on the assets and revision of rating assigned to the debentures. Further, such information shall also be placed on the website of the Debenture Trustee, the issuer company and the stock exchanges. It is clarified that such actions shall be taken by the Debenture Trustee promptly and in any case not later than next day of the occurrence of such events.

2.5 Centralized Database for Corporate Bonds/ Debentures¹⁰

2.5.1 SEBI, in consultation with various stakeholders, decided to create a centralized database regarding corporate bonds which are available in demat form for public dissemination. Both the depositories' viz. NSDL and CDSL, jointly, made the repository of information pertaining to the corporate bonds/ debentures.

2.5.2 **Contents of Database:** The data field for which the information has to be made available in the centralized database of bonds/ debentures by Debenture Trustees is:

i. Default History Information:

Default history details: Whether there have been any defaults/delays in servicing any other debentures/bonds issued by the Issuer? If yes details thereof:

Nature of the Issue	Issue size	Due date of interest/redemption	Actual payment date and details	Default details
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⁸ SEBI Circular No. SEBI/HO/MIRSD/MIRSD3/CIR/P/2017/ 72 dated June 30, 2017.

⁹ SEBI Circular No. SEBI/HO/MIRSD/MIRSD3/CIR/P/2017/ 72 dated June 30, 2017.

¹⁰ Circular No. CIR/IMD/DF/17/2013 dated October 22, 2013.



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- 2.5.3 The depositories shall obtain requisite information regarding bonds/ debentures from Issuers, Stock Exchanges, Credit Rating Agencies and Debenture Trustees. Such information providers are provided with secure logins by the depositories for verification and updation of the requisite information in the database.
- 2.5.4 The Debenture Trustees shall access the database to verify and update the information regarding default history by the issuer and other relevant information pertaining to Debenture Trustees, within the time stipulated as below:

S.No	Activity	Timeline
1.	Updation of default history information about the instrument, as applicable in the database	Within 7 days of knowledge of default.
2.	Updation/verification of the relevant information in respect of legacy data for bonds/debentures with its records and confirmation to depositories	Within 7 days from the receipt of the information

- 2.5.5 The Debenture Trustees shall update the information in the database on an ongoing basis, as mentioned above.

2.6 Periodic Reporting by the Debenture Trustees¹¹

- 2.6.1 The Debenture Trustees are required to furnish Half Yearly Report to SEBI in the format placed as Annexure in electronic form only (one file in pdf format and the other in excel format). The Compliance Officer of the –Debenture Trustee shall send the report to SEBI at dt@sebi.gov.in on half yearly basis within three months of the expiry of the corresponding half year.
- 2.6.2 The Debenture Trustees shall also report compliance of Regulation 15 (1) (c) of SEBI (Debenture Trustee) Regulations, 1993, and the provisions mentioned under Paras 2.3 and 2.4 in the Half Yearly Reports.¹²
- 2.6.3 The board of directors of Debenture Trustee shall review the report and record its observations on (i) the deficiencies and non-compliances, and (ii) corrective measures initiated to avoid such instances in future.

¹¹Circular No. CIR/ MIRSD/ 25/ 2011 dated Dec 19, 2011

¹²Circular No. SEBI/HO/MIRSD/MIRSD3/CIR/P/2017/ 72 dated June 30, 2017



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Securities and Exchange Board of India

ANNEXURE – FORMAT OF HALF – YEARLY REPORT

REPORT OF DEBENTURE TRUSTEES FOR THE HALF YEAR ENDED MARCH/ SEPTEMBER 20..

NAME:

REGISTRATION NO.:

DATE OF REGISTRATION (in dd/mm/yy)

SECTION I: ACTIVITIES

A. Details of Debenture Issues (Public (P) / Rights (R)/ Privately Placed Listed (PPL) / Privately Placed Unlisted (PPUL)

Type	No. of debenture issues accepted during the half year ended March / Sep 20..			Cumulative No. of debenture issues handled up to the half year ended March / Sep 20..	Size (in ₹ crores) of debenture issues accepted during the half year ended March / Sep 20..			Cumulative Size (in ₹ crores) of debenture issues handled up to the half year ended March / Sep 20..
	Secured	Unsecured	Total		Secured	Unsecured	Total	
Public								
Rights								
Privately Placed Listed								
Privately Placed Unlisted								
Total								

B. Activities other than debenture trusteeship

Activity Type	Description of the activity	Number of clients

Name of Compliance Officer

Email ID



Name of the Debenture Trustee

Section II - REDRESSAL OF INVESTOR GRIEVANCES

For the Half – year ended Mar/ Sep 20...

A. Status of Investor grievances

Name of the issuer (tranche wise)	Pending complaints at the end of the previous half year	No. of complaints received during the half year	No. of complaints resolved during the half year	No of complaints pending at the end of half year

B. Details of the complaints pending for more than 30 days

Name of the Issuer	No. of complaints pending for more than 30 days	Nature of the Complaint (s)			Steps taken for redressal	Status of the complaint (if redressed, date of redressal)
		Delay in payment of interest	Delay in payment of redemption	Any other		

Name of Compliance Officer
Email ID



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Section III-DEFAULT DETAILS

Information regarding default by the Issuer Companies in Public (P) / Rights (R) / Privately Placed Listed (PPL) Issues of Debentures up to the half year ended March/September 20..

Name of the Issuer	Secured / Unsecured	Type (P/R/PPL)	Issue Size (in ` crores)	Type of Default*	Details of action taken

* Type of Default:

1. Non-payment of interest;
2. Non-payment of redemption;
3. Delay in payment of interest/redemption;
4. Any other (like non-creation of security)

Name of Compliance Officer
Email ID



Section IV–COMPLIANCE

COMPLIANCE CERTIFICATE FOR THE HALF YEAR ENDED SEPTEMBER / MARCH 20..

A. No conflict of interests with other activities

The activities other than debenture trusteeship performed by DT are not in conflict with DT activities and appropriate systems and policies have been put in place to protect the interests of debenture holders.

B. Change in status or constitution

Reporting of 'changes in status or constitution' of DT (In terms of SEBI Circular No. CIR/MIRSD/10/2011 dated June 20, 2011)

C. Other Information

- i. Details of arrest / conviction of key officials of DT
- ii. Details of prosecution cases or criminal complaints filed by investors against the DT
- iii. Details of any fraudulent activity by the employees associated with DT activities and action taken by the DT
- iv. Details of conviction of any offence involving moral turpitude or any economic offence by employees of DT
- v. Action taken by the DT on the above issues

D. Compliance with registration requirements

- i. Certified that the requirements specified for SEBI registration as DT are fulfilled, the details are as under;
- ii. Net worth (audited) as defined in the Regulations as on FY ended(as per the latest audited financials)
- iii. Any change in infrastructure since the last report / registration/ renewal
- iv. Changes in Key personnel during the half year ended.....)



Name(s) of the key personnel	Appointment / Cessation	Date of appointment / cessation	Qualification	Experience	Functional areas of work

E. Details of deficiencies and non compliances

F. Details of the review of the report by the Board of Directors

Date of Board Review (dd/mm/yyyy)

Observation of the BoD on

- i. the deficiencies and non compliances
- ii. corrective measures initiated

Certified that we have complied with SEBI (Debenture Trustee) Regulations, 1993, applicable provisions of SEBI (Issue and Listing of Debt Securities) Regulations, 2008, Circulars issued by SEBI and any other laws applicable from time to time except the deficiencies and non compliances those specifically reported at Section IV (E) above:

Name of Compliance Officer
Email ID



Section 3: Redressal of Investor Grievances

3.1 Exclusive e-mail ID for redressal of Investor Complaints¹³

3.1.1 In order to address the issue of having a direct and quicker forum for enabling investors to register their complaints expeditiously with the Debenture Trustees, it is felt desirable to designate an exclusive e-mail ID of the grievance redressal division / compliance officer in which the investors would be able to register their complaints and also take necessary follow-up actions as necessary.

3.1.2 Accordingly, Debenture Trustees are advised to designate an e-mail ID of the grievance redressal division/compliance officer exclusively for the purpose of registering complaints by investors. They are also advised to display the email ID and other relevant details prominently on their websites and in the various materials/pamphlets/advertisement campaigns initiated by them for creating investor awareness.

3.2 Redressal of investor grievances through SEBI Complaints Redress System (SCORES) platform¹⁴

3.2.1 SEBI launched a centralized web based complaints redress system 'SCORES' in June 2011. The purpose of SCORES is to provide a platform for aggrieved investors, whose grievances, pertaining to securities market, remain unresolved by the concerned listed company or SEBI registered Debenture Trustees after a direct approach. SCORES also provides a platform, overseen by SEBI through which the investors can approach the concerned listed company or SEBI registered Debenture Trustees in an endeavor towards speedy redressal of grievances of investors in the securities market. It would, however, be advisable that investors may initially take up their grievances for redressal with the concerned listed company or SEBI registered Debenture Trustees, who are required to have designated persons/ officials for handling issues relating to compliance and redressal of investor grievance.

3.2.2 The salient features of SCORES are:

- i) Centralized database of all complaints.
- ii) Online movement of complaints to the concerned SEBI registered Debenture Trustees
- iii) Online upload of Action Taken Reports (ATRs) by the concerned entities, and
- iv) Online viewing by investors of action on the complaints and its current status.

¹³ Circular No. MIRSD/DPS III//Cir-01/07 dated January 22, 2007.

¹⁴ Circular No. CIR/ OIAE/ 1/ 2014 dated Dec 18, 2014

- 3.2.3 Debenture Trustees are hereby advised to send their details, as per Form - B annexed, to SEBI in hard copy and by email to scores@sebi.gov.in and obtain SCORES user id and password immediately within a period of one month from the date of registration. The email id to be furnished by the Debenture Trustees for receiving SCORES user id and password from SEBI has to be preferably a corporate email id and necessarily a permanent one. Failure by any SEBI registered Debenture Trustees to obtain the SCORES user ID and password would not only be deemed as non-redressal of investor grievances but also indicate willful avoidance of the same.
- 3.2.4 The Debenture Trustees shall submit the details in hard copy (Form - B) to the Department/ Division of SEBI which has granted them registration to operate in the securities market. SCORES user id and password of the Debenture Trustee shall be created only after receiving approval from the concerned Department/ Division of SEBI.
- 3.2.5 The Debenture Trustees shall review their investors' grievances redressal mechanism so as to further strengthen it and correct the existing shortcomings, if any. The SEBI registered Debenture Trustees to whom complaints are forwarded through SCORES, shall take immediate efforts on receipt of a complaint, for its resolution, within thirty days. The SEBI registered Debenture Trustees shall keep the complainant duly informed of the action taken thereon.
- 3.2.6 The Debenture Trustees shall update the ATR along with supporting documents, if any, electronically in SCORES. ATR in physical form need not be sent to SEBI. The proof of dispatch of the reply of the SEBI registered Debenture Trustees to the concerned investor should also be uploaded in SCORES and preserved by the SEBI registered intermediary, for future reference.
- 3.2.7 Action taken by the Debenture Trustees will not be considered as complete if the relevant details/ supporting documents are not uploaded in SCORES and consequently, the complaints will be treated as pending.
- 3.2.8 A complaint shall be treated as resolved/ disposed/ closed only when SEBI disposes/ closes the complaint in SCORES. Hence, mere filing of ATR by a Debenture Trustees with respect to a complaint will not mean that the complaint is not pending against them.
- 3.2.9 Failure by Debenture Trustees to file ATR under SCORES within thirty days of date of receipt of the grievance shall not only be treated as failure to furnish information to SEBI but shall also be deemed to constitute non-redressal of investor grievance.
- 3.2.10 The Board of Directors/ Proprietor/ Partner of the Debenture Trustees shall be responsible for ensuring compliance with the provisions of this Circular.



FORM - B

AUTHENTICATION FOR SCORES BY SEBI REGISTERED DEBENTURE TRUSTEES

1. Name of SEBI registered Debenture Trustee:
2. Nature of registered intermediary:
3. SEBI registration no.
4. PAN of SEBI registered Debenture Trustee:
5. Date of SEBI registration of Debenture Trustee:
6. SEBI registration valid up to:
7. Office address of the intermediary:
8. The details of the concerned person of the Debenture Trustee to whom User id and password will be sent:

Name:

Designation:

Email id: (corporate and permanent email id)

Mobile no.

Telephone No. :

Fax No. :

Place:

Signature:

Date:

Name:

Designation:

Seal:

Note: A scanned copy to be sent by email to scores@sebi.gov.in followed by hard copy to the concerned Department/Division of Securities and Exchange Board of India, Plot No. C4-A, 'G' Block, Bandra Kurla Complex, Mumbai - 400 051

Important: Please note that SCORES has the provision for updating SEBI registered Debenture Trustee's details by the intermediary itself. Any field (except the e-mail id which is permanent) such as registered office address, name/details of the compliance officer, telephone numbers, etc. should be changed by the SEBI registered Debenture Trustee immediately when warranted.

3.3 Dissemination of Information regarding Grievance Redressal Mechanism¹⁵

3.3.1 For information of all investors who deal/ invest/ transact in the market, it has now been decided that the information as provided below shall be prominently displayed in the offices of Debenture Trustees:

Dear Investor,

In case of any grievance / complaint against the Intermediary:

- Please contact Compliance Officer of the Intermediary (Name and Address) / email-id (xxx.@email.com) and Phone No. - 91-XXXXXXXXXX.
- You may also approach CEO / Partner / Proprietor (Name) / email id (xxx.@email.com) and Phone No. - 91-XXXXXXXXXX.
- If not satisfied with the response of the intermediary you can lodge your grievances with SEBI at <http://scores.gov.in> or you may also write to any of the offices of SEBI. For any queries, feedback or assistance, please contact SEBI Office on Toll Free Helpline at 1800 22 7575 / 1800 266 7575

¹⁵ Circular No. CIR/MIRSD/3/2014 dated August 28, 2014.

Section 4: Others

4.1 Guidelines on Outsourcing of Activities by Debenture Trustees¹⁶

- 4.1.1 SEBI Regulations for various intermediaries require that they shall render at all times high standards of service and exercise due diligence and ensure proper care in their operations.
- 4.1.2 It has been observed that often intermediaries resort to outsourcing with a view to reduce costs, and at times, for strategic reasons.
- 4.1.3 Outsourcing may be defined as the use of one or more than one third party – either within or outside the group - by a registered intermediary to perform the activities associated with services which the intermediary offers.
- 4.1.4 The principles for outsourcing by intermediaries have been framed (placed as Annexure). These principles shall be followed by all intermediaries registered with SEBI.
- 4.1.5 The Debenture Trustees desirous of outsourcing their activities shall not, however, outsource their core business activities and compliance functions. A few examples of core business activities may be – execution of orders and monitoring of trading activities of clients in case of stock brokers; dematerialization of securities in case of depository participants; investment related activities in case of Mutual Funds and Portfolio Managers. Regarding Know Your Client (KYC) requirements, the Debenture Trustees shall comply with the provisions of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011 and Guidelines issued thereunder from time to time.
- 4.1.6 The Debenture Trustees shall be responsible for reporting of any suspicious transactions / reports to FIU or any other competent authority in respect of activities carried out by the third parties.

¹⁶ SEBI Circular No. CIR/MIRSD/24/2011 dated December 15, 2011

Annexure

PRINCIPLES FOR OUTSOURCING FOR INTERMEDIARIES

- 1. An intermediary seeking to outsource activities shall have in place a comprehensive policy to guide the assessment of whether and how those activities can be appropriately outsourced. The Board / partners (as the case may be) {hereinafter referred to as the “the Board”} of the intermediary shall have the responsibility for the outsourcing policy and related overall responsibility for activities undertaken under that policy.**
 - 1.1 The policy shall cover activities or the nature of activities that can be outsourced, the authorities who can approve outsourcing of such activities, and the selection of third party to whom it can be outsourced. For example, an activity shall not be outsourced if it would impair the supervisory authority’s right to assess, or its ability to supervise the business of the intermediary. The policy shall be based on an evaluation of risk concentrations, limits on the acceptable overall level of outsourced activities, risks arising from outsourcing multiple activities to the same entity, etc.
 - 1.2 The Board shall mandate a regular review of outsourcing policy for such activities in the wake of changing business environment. It shall also have overall responsibility for ensuring that all ongoing outsourcing decisions taken by the intermediary and the activities undertaken by the third-party, are in keeping with its outsourcing policy.
- 2. The intermediary shall establish a comprehensive outsourcing risk management programme to address the outsourced activities and the relationship with the third party.**
 - 2.1 An intermediary shall make an assessment of outsourcing risk which depends on several factors, including the scope and materiality of the outsourced activity, etc. The factors that could help in considering materiality in a risk management programme include-
 - a) The impact of failure of a third party to adequately perform the activity on the financial, reputational and operational performance of the intermediary and on the investors / clients;
 - b) Ability of the intermediary to cope up with the work, in case of non-performance or failure by a third party by having suitable back-up arrangements;
 - c) Regulatory status of the third party, including its fitness and probity status;
 - d) Situations involving conflict of interest between the intermediary and the third party and the measures put in place by the intermediary to address such potential conflicts, etc.
 - 2.2 While there shall not be any prohibition on a group entity / associate of the intermediary to act as the third party, systems shall be put in place to have an arm’s length distance between the intermediary and the third party in terms of infrastructure, manpower, decision-making, record keeping, etc. for avoidance of potential conflict of interests. Necessary disclosures in this regard shall be made as part of the contractual agreement. It shall be kept in mind that the risk management practices expected to be adopted by

an intermediary while outsourcing to a related party or an associate would be identical to those followed while outsourcing to an unrelated party.

2.3 The records relating to all activities outsourced shall be preserved centrally so that the same is readily accessible for review by the Board of the intermediary and / or its senior management, as and when needed. Such records shall be regularly updated and may also form part of the corporate governance review by the management of the intermediary.

2.4 Regular reviews by internal or external auditors of the outsourcing policies, risk management system and requirements of the regulator shall be mandated by the Board wherever felt necessary. The intermediary shall review the financial and operational capabilities of the third party in order to assess its ability to continue to meet its outsourcing obligations.

3. The intermediary shall ensure that outsourcing arrangements neither diminish its ability to fulfill its obligations to customers and regulators, nor impede effective supervision by the regulators.

3.1 The intermediary shall be fully liable and accountable for the activities that are being outsourced to the same extent as if the service were provided in-house.

3.2 Outsourcing arrangements shall not affect the rights of an investor or client against the intermediary in any manner. The intermediary shall be liable to the investors for the loss incurred by them due to the failure of the third party and also be responsible for redressal of the grievances received from investors arising out of activities rendered by the third party.

3.3 The facilities / premises / data that are involved in carrying out the outsourced activity by the service provider shall be deemed to be those of the registered intermediary. The intermediary itself and Regulator or the persons authorized by it shall have the right to access the same at any point of time.

3.4 Outsourcing arrangements shall not impair the ability of SEBI/SRO or auditors to exercise its regulatory responsibilities such as supervision/inspection of the intermediary.

4. The intermediary shall conduct appropriate due diligence in selecting the third party and in monitoring of its performance.

4.1 It is important that the intermediary exercises due care, skill, and diligence in the selection of the third party to ensure that the third party has the ability and capacity to undertake the provision of the service effectively.

4.2 The due diligence undertaken by an intermediary shall include assessment of:

- a) third party's resources and capabilities, including financial soundness, to perform the outsourcing work within the timelines fixed;
- b) compatibility of the practices and systems of the third party with the intermediary's requirements and objectives;

- c) market feedback of the prospective third party's business reputation and track record of their services rendered in the past;
- d) level of concentration of the outsourced arrangements with a single third party; and
- e) the environment of the foreign country where the third party is located.

5. Outsourcing relationships shall be governed by written contracts / agreements / terms and conditions (as deemed appropriate) {hereinafter referred to as "contract"} that clearly describe all material aspects of the outsourcing arrangement, including the rights, responsibilities and expectations of the parties to the contract, client confidentiality issues, termination procedures, etc.

5.1 Outsourcing arrangements shall be governed by a clearly defined and legally binding written contract between the intermediary and each of the third parties, the nature and detail of which shall be appropriate to the materiality of the outsourced activity in relation to the ongoing business of the intermediary.

5.2 Care shall be taken to ensure that the outsourcing contract:

- a) clearly defines what activities are going to be outsourced, including appropriate service and performance levels;
- b) provides for mutual rights, obligations and responsibilities of the intermediary and the third party, including indemnity by the parties;
- c) provides for the liability of the third party to the intermediary for unsatisfactory performance/other breach of the contract
- d) provides for the continuous monitoring and assessment by the intermediary of the third party so that any necessary corrective measures can be taken up immediately, i.e., the contract shall enable the intermediary to retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations;
- e) includes, where necessary, conditions of sub-contracting by the third-party, i.e. the contract shall enable intermediary to maintain a similar control over the risks when a third party outsources to further third parties as in the original direct outsourcing;
- f) has unambiguous confidentiality clauses to ensure protection of proprietary and customer data during the tenure of the contract and also after the expiry of the contract;
- g) specifies the responsibilities of the third party with respect to the IT security and contingency plans, insurance cover, business continuity and disaster recovery plans, force majeure clause, etc.;
- h) provides for preservation of the documents and data by third party ;
- i) provides for the mechanisms to resolve disputes arising from implementation of the outsourcing contract;
- j) provides for termination of the contract, termination rights, transfer of information and exit strategies;

- k) addresses additional issues arising from country risks and potential obstacles in exercising oversight and management of the arrangements when intermediary outsources its activities to foreign third party. For example, the contract shall include choice-of-law provisions and agreement covenants and jurisdictional covenants that provide for adjudication of disputes between the parties under the laws of a specific jurisdiction;
- l) neither prevents nor impedes the intermediary from meeting its respective regulatory obligations, nor the regulator from exercising its regulatory powers; and
- m) provides for the intermediary and /or the regulator or the persons authorized by it to have the ability to inspect, access all books, records and information relevant to the outsourced activity with the third party.

6. The intermediary and its third parties shall establish and maintain contingency plans, including a plan for disaster recovery and periodic testing of backup facilities.

- 6.1 Specific contingency plans shall be separately developed for each outsourcing arrangement, as is done in individual business lines.
- 6.2 An intermediary shall take appropriate steps to assess and address the potential consequence of a business disruption or other problems at the third party level. Notably, it shall consider contingency plans at the third party; co-ordination of contingency plans at both the intermediary and the third party; and contingency plans of the intermediary in the event of non-performance by the third party.
- 6.3 To ensure business continuity, robust information technology security is a necessity. A breakdown in the IT capacity may impair the ability of the intermediary to fulfill its obligations to other market participants/clients/regulators and could undermine the privacy interests of its customers, harm the intermediary's reputation, and may ultimately impact on its overall operational risk profile. Intermediaries shall, therefore, seek to ensure that third party maintains appropriate IT security and robust disaster recovery capabilities.
- 6.4 Periodic tests of the critical security procedures and systems and review of the backup facilities shall be undertaken by the intermediary to confirm the adequacy of the third party's systems.

7. The intermediary shall take appropriate steps to require that third parties protect confidential information of both the intermediary and its customers from intentional or inadvertent disclosure to unauthorized persons.

- 7.1 An intermediary that engages in outsourcing is expected to take appropriate steps to protect its proprietary and confidential customer information and ensure that it is not misused or misappropriated.
- 7.2 The intermediary shall prevail upon the third party to ensure that the employees of the third party have limited access to the data handled and only on a "need to know" basis and the third party shall have adequate checks and balances to ensure the same.



7.3 In cases where the third party is providing similar services to multiple entities, the intermediary shall ensure that adequate care is taken by the third party to build safeguards for data security and confidentiality.

8. Potential risks posed where the outsourced activities of multiple intermediaries are concentrated with a limited number of third parties.

In instances, where the third party acts as an outsourcing agent for multiple intermediaries, it is the duty of the third party and the intermediary to ensure that strong safeguards are put in place so that there is no co-mingling of information /documents, records and assets.

4.2 Unauthenticated news circulated by SEBI registered market intermediaries through various modes of communication¹⁷

- 4.2.1 It has been observed by SEBI that unauthenticated news related to various scrips are circulated in blogs/ chat forums/ e-mail etc. by employees of Broking Houses/ Other Intermediaries without adequate caution as mandated in the Code of Conduct for Stock Brokers and respective Regulations of various intermediaries registered with SEBI
- 4.2.2 Further, in various instances, it has been observed that the Intermediaries do not have proper internal controls and do not ensure that proper checks and balances are in place to govern the conduct of their employees. Due to lack of proper internal controls and poor training, employees of such intermediaries are sometimes not aware of the damage which can be caused by circulation of unauthenticated news or rumours. It is a well-established fact that market rumours can do considerable damage to the normal functioning and behaviour of the market and distort the price discovery mechanisms.
- 4.2.3 In view of the above facts, Debenture Trustees are directed that:
- i) Proper internal code of conduct and controls should be put in place.
 - ii) Employees/temporary staff/voluntary workers etc. employed/working in the Offices of SEBI registered Debenture Trustees do not encourage or circulate rumours or unverified information obtained from client, industry, any trade or any other sources without verification.
 - iii) Access to Blogs/Chat forums/Messenger sites etc. should either be restricted under supervision or access should not be allowed.
 - iv) Logs for any usage of such Blogs/Chat forums/Messenger sites (called by any nomenclature) shall be treated as records and the same should be maintained as specified by the respective Regulations which govern the concerned intermediary.
 - v) Employees should be directed that any market related news received by them either in their official mail/personal mail/blog or in any other manner, should be forwarded only after the same has been seen and approved by the concerned SEBI registered Debenture Trustees' Compliance Officer. If an employee fails to do so, he/ she shall be deemed to have violated the various provisions contained in SEBI Act/ Rules/ Regulations etc. and shall be liable for action. The Compliance Officer shall also be held liable for breach of duty in this regard.¹⁸

¹⁷ Circular No. CIR/ISD/1/2011 dated March 23, 2011

¹⁸ Circular No. CIR/ISD/2/2011 dated March 24, 2011

4.3 General Guidelines for dealing with Conflicts of Interest of Debenture Trustees and their Associated Persons in Securities Market¹⁹

- 4.3.1 All intermediaries, recognised stock exchanges, recognised clearing corporations and depositories (hereinafter collectively referred to as "such entities") are presently governed by the provisions for avoidance of conflict of interest as mandated in the respective regulations read with relevant circulars issued from time to time by SEBI. On the lines of Principle 8 of the International Organisation of Securities Commissions (IOSCO) Objectives and Principles of Securities Regulations, it has been decided to put in place comprehensive guidelines to collectively cover such entities and their associated persons, for elimination of their conflict of interest, as detailed hereunder.
- 4.3.2 Such entities shall adhere to these guidelines for avoiding or dealing with or managing conflict of interest. They shall be responsible for educating their associated persons for compliance of these guidelines.
- 4.3.3 For the purpose of these guidelines "intermediaries" and "associated persons" have the same meaning as defined in Securities and Exchange Board of India Certification of Associated Persons in the Securities Markets) Regulations, 2007.
- 4.3.4 Such entities and their associated persons shall,
- i) lay down, with active involvement of senior management, policies and internal procedures to identify and avoid or to deal or manage actual or potential conflict of interest, develop an internal code of conduct governing operations and formulate standards of appropriate conduct in the performance of their activities, and ensure to communicate such policies, procedures and code to all concerned;
 - ii) at all times maintain high standards of integrity in the conduct of their business;
 - iii) ensure fair treatment of their clients and not discriminate amongst them;
 - iv) ensure that their personal interest does not, at any time conflict with their duty to their clients and client's interest always takes primacy in their advice, investment decisions and transactions;
 - v) make appropriate disclosure to the clients of possible source or potential areas of conflict of interest which would impair their ability to render fair, objective and unbiased services;
 - vi) endeavor to reduce opportunities for conflict through prescriptive measures such as through information barriers to block or hinder the flow of information from one department/ unit to another, etc.;
 - vii) place appropriate restrictions on transactions in securities while handling a mandate of issuer or client in respect of such security so as to avoid any conflict;
 - viii) not deal in securities while in possession of material non - published information
 - ix) not to communicate the material non-published information while dealing in securities on behalf of others
 - x) not in any way contribute to manipulate the demand for or supply of securities in the market or to influence prices of securities;

- xi) not have an incentive structure that encourages sale of products not suiting the risk profile of their clients;
 - xii) not share information received from clients or pertaining to them, obtained as a result of their dealings, for their personal interest;
- 4.3.5 The Boards of such entities shall put in place systems for implementation of this circular and provide necessary guidance enabling identification, elimination or management of conflict of interest situations. The Boards shall review the compliance of this circular periodically.
- 4.3.6 The said guidelines shall be in addition to the provisions, if any, contained in respective regulations/ circulars issued by the Board from time to time regarding dealing with conflict of interest, in respect of such entities

¹⁹ SEBI Circular No. CIR/ MIRSD/ 5/ 2013 dated August 27, 2013



SCHEDULE

Circulars

1. Circular No. SEBI/MIRSD/DR-2/SRP/Cir - 2/ 2005 dated January 4, 2005.
2. Circular No. MIRSD/DPS III/Cir-01/07 dated January 22, 2007.
3. Circular No. MIRSD/ DPSIII/ Cir-21/ 08 dated July 7, 2008.
4. Circular No. CIR/ISD/1/2011dated March 23, 2011.
5. Circular No. CIR/ISD/2/2011 dated March 24, 2011.
6. Circular CIR/MIRSD/14/2011 dated August 02, 2011
7. Circular No. CIR/MIRSD/24/2011dated December 15, 2011.
8. Circular No. CIR/MIRSD/25/2011 dated December 19, 2011.
9. Circular No. CIR/MIRSD/3/2013 dated March 15, 2013.
10. Circular No. CIR/ MIRSD/ 5/ 2013 dated August 27, 2013
11. Circular No. CIR/IMD/DF/17/2013 dated October 22, 2013.
12. Circular No. CIR/MIRSD/3/2014 dated August 28, 2014
13. Circular No. CIR/ OIAE/ 1/ 2014 dated Dec 18, 2014.
14. Circular SEBI/HO/MIRSD/MIRSD1/CIR/P/2017/38 dated May 02, 2017.
15. Circular SEBI/HO/GSD/T&A/CIR/P/2017/42 dated May 16, 2017
16. Circular No. SEBI/HO/MIRSD/MIRSD3/CIR/P/2017/ 72 dated June 30, 2017.