



SEBI Has Tightened Disclosure Norms for Listed Debt Securities

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The capital market watchdog, **Securities and Exchange Board of India (SEBI)**, has asked **debenture trustees (DTs) to enhance their disclosures for listed debt securities** to protect investor interest.

- The debenture trustee shall **disclose the nature of compensation arrangements with its clients on their websites**, including the minimum fee to be charged (in absolute terms or as a percentage of the issue size) and factors determining the same.
- DTs will have to display on their websites the **details of interest and redemption due on debenture holders** in respect of all the issues during a financial year **within five working days from the start of a financial year**. They will also have to update such details for any new issues handled during the financial year within five days of closure of the issue.
- The **status of payments has to be updated within one day of the due date**, which effectively means that any **default or delay will be disclosed** within a day of the due date.
- **For privately-placed debt securities**, SEBI has made it mandatory for the inclusion of a clause stating that **at least 2% per annum interest would be paid over the coupon rate in case of a default** in meeting the payment obligations. The additional interest would be payable by the company for the tenure of the defaulting period.

Debenture: It is an instrument of debt executed by the company acknowledging its obligation to repay the sum at a specified rate and also carrying an interest. It is one of the methods of raising loan capital of the company.

The basic distinction being, when one buys the shares of the company he becomes the part owner of the company, but when one buys debentures issued by the company he becomes a creditor to the company. We can conclude that debenture is a kind of formal loan given to the company by another individual. The company is under obligation to repay the loan within a specified period of time with interest.

Debenture Trustee: A debenture trustee is one that serves as the holder of debenture stock for the benefit of another party. When a company is looking to raise capital, one method of accomplishing this is by issuing stock as a form of debt with obligation to repay the debt at a specific interest rate. The trustee serves as a liaison between the company that issued the debentures and the debenture holders that collect interest payments.