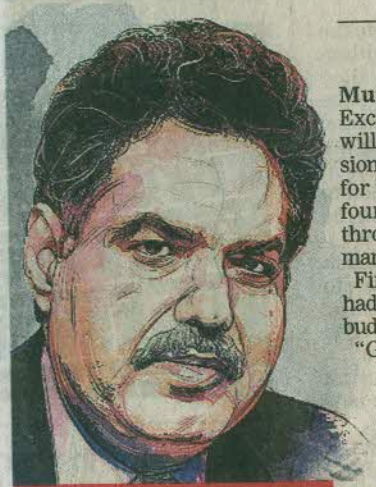
The Economic Times (Mumbai)

12 July, 2018

TALKING POINT Pvt placement of corp bonds sees uptake; liquidity in secondary market a concern

Sebi Paper to Discuss How Cos can Tap Bonds to Meet a Fourth of Fund Needs



Given the relatively nascent stage of development of the bond market, such framework has to have a relatively soft touch approach, it would be finalised in consultation with stakeholders

AJAY TYAGI, Sebi chief

Our Bureau

Mumbai: The Securities and Exchange Board of India (Sebi) will be coming out with a discussion paper on making it mandatory for large corporates to meet a fourth of their financing needs through the bond market, chairman Ajay Tyagi said on Wednesday.

Finance Minister Arun Jaitley had announced this proposal in his budget speech for FY19.

"Given the relatively nascent stage of development of the bond market, such framework has to be relatively having a soft touch approach, it would be finalised in consultation with stakeholders," Tyagi said while inaugurating an Assocham National Conference on Corporate Bond Market.

He said that while private placement of corporate bonds have shown significant uptake especially since FY16-17, there are genuine concerns about liquidity in the secondary market. Tyagi said this would be done in consultation with the government and RBI.

He said secondary market products such as interest rate futures, credit default, swaps, repo and others have to be made more attractive to the participants for development of secondary market in corporate bonds. "Efforts made in the development of private placement of bonds have to be necessarily complemented with increase in liquidity in the secondary market." Besides, stress in the banking sector has helped many corporates to raise funds from the bond market and this is one of the reasons for increase in raising bonds from electronic bidding platform in recent years. "Clearly, there is an opportunity to deepen the bond market amid the present NPA crisis. The large exposure of RBI is a step in the right direction, though effectiveness of the same is yet to be measured," Tyagi said.

Clearly, there is an opportunity to deepen the bond market amid the present NPA crisis. The large exposure of RBI is a step in the right direction, though effectiveness of the same is yet to be measured.

"As these institutions are long-term investors and they generally hold the investments till maturity, they can act as an ideal counterpart on the demand side to the infrastructure companies needing to rely on funding through longer dated instruments," Tyagi said. He said loan bond arbitrage has to be removed by measures such as allowing banks to classify and re-classify bond and loan assets into held to maturity or available for sale buckets, based on their declared intention rather than automatically based on legal documentation.

As these institutions are long-term investors and they generally hold the investments till maturity, they can act as an ideal counterpart on the demand side to the infrastructure companies needing to rely on funding through longer dated instruments.

Tyagi also said Sebi hasn't received any open offer proposal from Life Insurance Corporation of India (LIC) on its proposed stake acquisition in IDBI Bank. He said the regulator will consider LIC's open offer proposal for IDBI Bank's minority shareholders as and when it reaches its desk.

LIC, which holds 10.82% in IDBI Bank, has announced its intention of increasing its stake to 51% in the bank, a move which will trigger Sebi's takeover rules. According to takeover norms, an acquirer will have to make an open offer to shareholders of the target company on acquiring 25% or more. The open offer issue came to the spotlight as, according to insurance laws, an insurer cannot own more than 15% in a listed financial firm.

On the MCX-NSE merger talks, he said: "More players (in exchanges) are required but if economics dictate there should be consolidation, so be it, but we do not have any definitive proposal, let there be some proposal or reference, we have no such reference."

ET had reported in its July 11 edition, of a possible merger between National Stock Exchange and Multi-Commodity Exchange of India which could create a bigger bourse with 60% market share in the country.

ASSOCHAM IN THE NEWS

The Hindu Business Line (Mumbai)

12 July, 2018

SEBI may require firms to raise 25% of financing needs from bond

Regulator to issue consultation paper; norms will apply to large corporates

OUR BUREAU
Mumbai, July 11

SEBI may make another attempt at building a vibrant market for trading in corporate bonds.

On Wednesday, SEBI Chairman Ajay Tyagi said the regulator would soon issue a consultation paper on making it mandatory for large corporates to meet a fourth of their financing needs through the bond market.

This was first proposed in the Union Budget this year.

Tyagi believes the current NPA crisis, which has hit the lending activity of banks, could provide an opportunity for fund-raising from the bond market.

"Given the relatively nascent stage of development of the bond market, such a framework has to have a relatively soft-touch approach. It will be finalised in consultation with stakeholders," Tyagi said, after inaugurating an ASSOCHAM national conference on the Corporate Bond Market.

A history of attempts

Tyagi's predecessor UK Sinha made several attempts during his five years in office to develop the corporate bond market in India; he spoke of a unified platform, and sought a re-look at tax on income from bond trading. He had made available a complete information repository for corporate bonds and nudged BRIC nations to come together for a common bond market. But an exchange-traded bond market in India still lies moribund.

SEBI Chairman Ajay Tyagi believes the current NPA crisis, which has hit banks' lending activity, could provide an opportunity for fund-raising from the bond market, which is in its nascent stage

Noting that much needs to be done to increase liquidity in the secondary market, Tyagi said SEBI would move in that direction in consultation with the RBI and the government.

According to him, while the private placement of corporate bonds has shown a significant uptake, especially from FY2017, there are concerns about liquidity in the secondary market.

Secondary market products such as interest rate futures, credit-default swaps, repo and others have to be made more attractive to participants, Tyagi noted.

"The efforts made in the development of private placement of bonds have to be necessarily complemented with [an] increase in liquidity in [the] secondary market... The tightening of bond yields remain a concern. The RBI allowing banks a large exposure to the bond markets was a step in the right direction, but its effectiveness is yet to be measured."

Tyagi holds that banks

Business Standard (Mumbai) 12 July, 2018

Sebi not averse to exchange mergers, says Ajay Tyagi

PAVAN BURUGULA
Mumbai, 11 July

Securities and Exchange Board of India (Sebi) chairman Ajay Tyagi on Wednesday said the regulator was not against the merger of exchanges.

Speaking on the sidelines of an event organised by Associated Chambers of Commerce and Industry of India (Assocham), he said, "More players are required, but if the economics determine there should be a consolidation, then so be it."

The comments come amid reports of merger talks between the country's largest equity bourse, the National Stock Exchange (NSE) and the largest commodity bourse Multi Commodity Exchange.

Tyagi confirmed that Sebi had served the second show-cause notice to the NSE on the co-location issue. He added the NSE was yet to reply to the notice.

He said private placement of bonds has become a popular route for corporate fund raising. However, there are concerns about liquidity in the secondary markets for such placements. Sebi, in consultation with the government and the Reserve Bank of India (RBI), will address the issue, added Tyagi.

"While private placement of corporate bonds have shown significant uptake since FY16-17, there are concerns about liquidity in the secondary market," said Ajay Tyagi.

He said Sebi would soon come out with a consultation paper on the Budget proposal directing large corporates to meet one-fourth of their financing needs through the bond market.

"Given the bond market's nascent stage of development, such a framework has to have a soft-touch approach. It will be finalised in consultation with stakeholders," he said.

Tyagi pitched for greater participation of institutional investors, such as insurance companies.

He said higher allocation by institutional pools of domestic savings would help these savings to earn incremental returns and generate demand for corporate bonds.

"Additionally, as these institutions are long term investors and they hold the investments till maturity, they can act as an ideal counterpart to the infrastructure companies," he said.

The Hindu (Mumbai) **12 July, 2018**

SEBI to float paper on fundraising via bonds

'Stakeholders to be consulted before finalising framework'

SPECIAL CORRESPONDENT
MUMBAI

The Securities and Exchange Board of India (SEBI) will soon come out with a consultation paper on making it mandatory for large corporates to meet one-fourth of their financing needs through the bond market as envisioned by the FY19 Union Budget, according to its chairman Ajay Tyagi.

"Given the relatively nascent stage of development of bond market, such framework has to have a soft touch approach. It will be finalised in consultation with stakeholders," said Mr. Tyagi while inaugurating an Assocham national conference on corporate bond market.

Noting that a lot needed to be done for increasing liquidity in the secondary market, he said that the SEBI would move towards that direction in consultation with the RBI and the government.

"While private placement of corporate bonds have shown significant uptake, especially since FY16-17 onwards, there are genuine concerns about liquidity in the secondary market," he said.

Boosting liquidity

Secondary market products such as interest rate futures, credit default, swaps, repo and others had to be made more attractive to the participants for development of secondary market in corporate bonds, he a added. "Efforts made in development of private placement of bonds have to be necessarily complemented with increase in liquidity in secondary market," he said.