



CIRCULAR

CIR. /IMD/DF/22/2011

December 26, 2011

**All Merchant Bankers
All Stock-Brokers and Sub-brokers
All Recognized Stock Exchanges**

Dear Sir/ Madam,

Sub: Public issue of Debt Securities- Prohibition on payment of incentives

1. It is gathered from market participants that in public issues of debt securities, some brokers/ distributors are passing on part of their brokerage/ commission to the final investor(s) for subscription to such public issue of debt. As a result, while on one hand it is giving an unfair advantage/bargaining power to a certain set of investors and distributors, on the other hand it is adding to the cost of issuance for the company.
2. In order to curb such practices, it is advised that in respect of public issues of debt securities, no person connected with the issue shall offer any incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise to any person for making an application for allotment of specified securities:

Provided that nothing contained in this circular shall apply to fees or commission for services rendered in relation to the issue.

For the purpose of the above guideline, the expression "person connected with the issue" includes a person connected with the distribution of issue.

3. All recognized stock exchanges are advised to bring to the notice of all their members and to disseminate the same on their respective websites for information.
4. This circular is issued in exercise of powers conferred under Section 11(1) and Section 11 A of the Securities and Exchange Board of India Act, 1992 read with Regulation 31(1) of SEBI (Issue and Listing of Debt Securities) Regulations, 2008 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

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Deputy General Manager**

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