



To,

Date: 01st January, 2016

Ms. Richa G Agarwal

Deputy General Manager

Investment Manger Department, SEBI

Mumbai

Sub: Comments on the Draft Guidelines for issue of units by InvITs

Respected Madam,

About the Indian Securitisation Foundation

The **Indian Securitisation Foundation**¹ is a not-for-profit entity representing the securitisation industry in India. The membership of the Foundation includes banks, NBFCs, microfinance institutions, other issuers and investors and securitisation professionals for promoting interest of securitisation and fixed income securities in India. Investors in securitisation include public sector banks, private sector banks, mutual funds, insurance companies and others.

Our Comments:

Our comment on the Draft Guidelines are primarily on the basis of the provisions contained in the SEBI (Infrastructure Investment Trust Regulations), 2014 (hereafter referred as the InvIT Regulation) and the similar provisions pertaining to issue in the REITs or other Regulations.

Our comments on the Guidelines have been tabulated below:

¹License u/s 25 of the Companies Act 1956 received vide letter No.ROC/25(1)/SRN B67046052/258/3/2013/6187 dated 20 March, 2013.
<http://indiansecuritisation.com/>

INDIAN SECURITISATION FOUNDATION

(A Not-For-Profit Company Licensed under Section 25 of Companies Act, 1956)

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Corporate Identity Number: U65923MH2013NPL242178

Relevant Para in the Guidelines	Provisions in the Guidelines	Provisions in the InvIT Regulation (if provided)	Remarks
Para 1(1)	Investment Mangers shall appoint one or more Merchant Bankers.	Regulation 10(5) provides that Investment Manager in consultation with the Trustee would appoint Merchant Banker.	<p>Thus the Investment Manager does not have an independent power to appoint Merchant Banker.</p> <p>Thus the provisions in the Guidelines are inconsistent with the InvIT Regulation.</p> <p>Further there should be a check on the appointment of the Investment Manager and hence consultation with the Trustee should not be dispensed with.</p>
Para 5(1)	Requirement of keeping security deposits with the Stock Exchanges. The amount to be kept as security would be .5% of the units offered to public.	N.A.	<p>The period for which the security deposit would be with the exchange is not provided in the Guidelines.</p> <p>Para 5(2) states that the procedures for forfeiture, refund, etc. would be specified by the board or exchanges. In case the period of</p>



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			<p>deposit is more than the number of days from the beginning of subscription to the allotment of units, there would be blockage of funds. This might cause problems to the InvITs.</p> <p>Thus we assume that the same would be addressed shortly.</p>
Para 7(7)	The number of units to be issued shall be determined by a back-calculation methodology (i.e. issue size divided by price).	N.A.	The process of determining the number of units is unique as the same is not adopted in any of the regulations with respect to issue and pricing of instruments.
Para 8(1)	The application for accepting bids shall be accepted only through ASBA facility	N.A.	Considering the current penetration of the facility and the comfort of investors, this should be dispensed with for a certain period of time.
Para 8(2)	It stipulates on the issuer to collect an amount equivalent to the entire application money as margin money.	N.A.	The applicants have to pay twice for the application which may cause hardship to the applicant.

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			Further the manner of refund of margin money and the treatment is not provided in the Guidelines.
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Thanking you

For **Indian Securitisation Foundation**

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