

Testwale Current Affairs PDF

Current Affairs search results for: "SEBI reduces the face value on debt securities to Rs 1 Lakh"

1. Sebi reduces time period for listing of debt securities issued on a private placement basis to three days (Dec. 6, 2022)

Sebi reduces time period for listing of debt securities issued on a private placement

Capital markets regulator Securities Exchange Board of India (SEBI) has reduced the timeline for listing of [debt securities](#) issued on a private placement basis to **three days**(T+3). Currently, the timeline is **four days** (T+4) and the latest move would also expedite the availability of securities for trading by the investors. T refers to issue closure date.

The new guidelines would come into effect from **January 1, 2023**.

Earlier in October SEBI reduced the face value of debt security and non-convertible redeemable preference shares issued on private placement basis to **Rs 1 lakh** from the current Rs 10 lakh. It will also be applicable from 1 January 2023.

SEBI Chairperson: **Madhabi Puri Buch**

2. SBI to issue Rs 10,000 crore infrastructure bonds in 2022-23 (Nov. 30, 2022)

SBI to issue Rs 10,000 crore infrastructure bonds in 2022-23

India's largest commercial bank State Bank of India's board on 29 November 2022 has approved a proposal to raise **Rs 10,000 crore** through issuance of **infrastructure bonds** during 2022-23.

The bank said that it will issue infrastructure bonds up to an amount of Rs 10,000 crore (including a **green shoe option of Rs 5,000 crore**) through a [public issue or private placement](#), during 2022-23.

The capital raised through the infrastructure bonds will be used to provide loans to companies in the infrastructure sector.

Earlier the SBI board in May had approved raising up to **\$2 billion (about Rs 15,430 crore)** from the overseas market during the 2022-23 financial year to fund foreign business growth.

Green Shoe Option

Green shoe option means the company has the option to over allot the bonds or shares if there is demand in the market. For example SBI comes in the market and says that it will sell 10 bonds worth Rs 100 each with a green shoe option of Rs 200. The total issue of bonds here is Rs 1000.

Suppose the SBI receives applications from 15 investors worth Rs 1500. In the market language it will be said that the SBI issue has been **oversubscribed**.

Which investor will be allotted the bonds will be decided by lottery.

Now SBI has two options. It can keep Rs 1000 and refund the Rs 500 amount to the investors.

Another option for SBI is that it will exercise the green shoe option. Here the green shoe option is Rs 200 so SBI keeps Rs 200 and refunds the rest Rs 300 to the investors.

State Bank of India (SBI) is an Indian multinational, public sector banking and financial services company. . As of 30 September 2022, the Government of India held 57.52% stake in the bank.

Chairman of the Bank: **Dinesh Kumar Khara**

Headquarters: **Mumbai**

3. SEBI reduces the face value on debt securities to Rs 1 Lakh (Oct. 29, 2022)

SEBI reduces face value of debt

The Capital and Commodity markets regulator Securities Exchange Board of India (SEBI) on 28 October 2022, reduced the face value of **debt security** and **non-convertible redeemable preference shares** issued on **private placement** basis to **Rs 1 lakh** from the current Rs 10 lakh.

The new guidelines will be applicable from **1 January 2023**.

According to SEBI this has been done to increase the participation of investors and which will also enhance the liquidity in the corporate bond market.

What is a Debt securities?

Debt securities is a type of financial document which is issued by a company to borrow money from the market .The issuers of the debt securities promise that it will return the money after a certain time period and will also pay mentioned interest on the borrowed money . Some of the examples of the debt securities are bonds, debentures etc.

What is the face value, tenure and coupon rate of a securities?

Face value is the nominal value which is written on the securities issued by a company. For example a company issues a bond of Rs 100 for a period of 5 years and with an interest rate of 10%.

Here the **face value** of the bond will be Rs 100.

The time period for which it is borrowed is called **tenure**. Here in the example the tenure of the bond will be 5 years.

Rate of Interest mentioned on the bond is called the **coupon rate**. In this example the coupon rate is 10%.

What is Public and Private Placement of securities?

There are two options for a company which wants to raise capital from the market by selling its securities (shares, bonds, etc). The company can either go for Public offer or can opt for Private placement of its securities.

Public offer means that the company will have to come out with an Initial Public offerings (IPO). The company has to hire a merchant banker which handles the sale of the company's securities to the general public.

IPO refers to the sale of securities of the company for the first time to the public and after the IPO the company's securities are listed on a stock exchange. Public offering is a time consuming process and also costly for the company.

Private Placement

There is another option for the company. The company can directly approach select investors like Banks, Mutual funds, High Net worth Investors (HNI) and sell the company securities to them. The company does not need to list security on a stock exchange after the private placement.

This method is less time consuming and less costly for the company .

SEBI

Securities Exchange Board of India (SEBI) was set up on 12 April 1988 and it was given statutory status by the SEBI Act 1992 on 30 January 1992.

- It comes under the Ministry of Finance, Government of India.
- It is the regulator of the Capital market and Commodities market in India.
- The first SEBI chairman was Dr S A Dave (1988-90)
- **Madhabi Puri Buch** is the current and 10th Chairperson of the SEBI.
- Headquarters: Mumbai