

DRAFT CIRCULAR FOR PUBLIC COMMENTS

Streamlining the process and reduction in timelines of Bonus Issue (enabling T+2 trading of shares where T being record date)

Background

1. In terms of Regulation 295(1) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (hereinafter 'ICDR Regulations'), an issuer, announcing a bonus issue shall implement* the bonus issue within fifteen days from the date of approval of the issue by its board of directors.

In case where issuer is required to seek shareholders' approval for capitalization of profits or reserves for making the bonus issue, the bonus issue shall be implemented* within two months from the date of the meeting of its board of directors wherein the decision to announce the bonus issue was taken subject to shareholders' approval.

*Date of commencement of trading is considered for the purpose of bonus issue to be considered as 'implemented'.

2. Though the ICDR Regulations prescribe overall timelines regarding implementation of the bonus issue, there are no specific timelines regarding credit of bonus shares and trading of such shares, from the record date of the issue. Thus, absence of any specific guidelines on this aspect leads to non-uniformity w.r.t. timelines in which shares are credited and made available for trading in bonus issue.
3. Presently, as per market practice and exchange processes generally in case of a bonus issue, existing shares continues to remain available for trading post record date under existing ISIN and shares issued pursuant bonus issue are credited in existing ISIN and same are made available for trading in 2-7 working days post record date.
4. Therefore, to have uniformity in timelines for credit and trading of bonus shares, it is imperative that timelines are prescribed for credit and trading of bonus shares from the record date, ensuring bonus issue is implemented in a timely manner. Accordingly, to facilitate fast credit and trading of shares allotted pursuant to bonus issue and to reduce investors' risk of market volatility due to any delay in credit of bonus shares, it is proposed to streamline and reduce timelines of bonus issue enabling T+2 trading of shares post record date (T day).

Public Comments:

Public comments are invited on draft circular - "*Streamlining the process and reduction in timelines of Bonus Issue (enabling T+2 trading of shares where T being record date)*" placed at **Annexure A**. The comments/ suggestions should be submitted latest by **August 26, 2024**, through the online web-based form which can be accessed using the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

In case of any technical issue in submitting your comment through web based public comments form, you may write to consultationcf@sebi.gov.in with the subject: "Public comments on Draft Circular - Streamlining the process and reduction in timelines of Bonus Issue".

Issued on: August 05, 2024



DRAFT CIRCULAR

CIR/CFD/2024/XXX**

___, 2024

To
All Listed Entities
All Nationwide Stock Exchanges
All Depositories
All Registered Registrar & Share Transfer Agents

Dear Sir/Madam,

Sub: Streamlining the process and reduction in timelines of Bonus Issue (enabling T+2 trading of shares where T being record date)

1. As a part of the continuing endeavor to streamline the process of Bonus issue of equity shares, in consultation with the market participants, it has been decided to reduce the time taken for credit of bonus shares and trading of such shares, from the record date of the Bonus Issue under SEBI (ICDR) Regulations, 2018.
2. The operational procedure to implement the above is as given below:
 - (i) The Issuer proposing a bonus issue shall apply for the in-principle approval under Regulation 28(1) of SEBI (LODR) Regulations, 2015, to the Stock Exchange within 5 working days from the date of board meeting approving the Bonus issue.
 - (ii) The Issuer while fixing and intimating the record date (T day) to the Stock Exchange as required under Regulation 42(1) of SEBI (LODR) Regulations, 2015, for the proposed bonus issue, shall also take on record deemed date of allotment on next working date of record date (T+1 day).
 - (iii) Upon receipt of intimation of the record date (T Day) and requisite documents from the company, the Exchange(s) shall issue notification accepting the record date and notifying the number of shares considered in the bonus issue. The notification shall consist of the deemed date of allotment (T+1 day).
 - (iv) After issuance of Exchange notification for acceptance of record date, the issuers shall ensure submission of the requisite documents to Depositories for credit of bonus shares in the depository system latest by 12 P.M. of next working day of the record date (i.e. T+1 day).

- (v) The Issuer shall ensure upload of the distinctive number (DN) ranges in the DN database of the depository and stock exchange(s) shall ensure updation of relevant dates before credit of bonus shares.
- (vi) The shares allotted pursuant to the bonus issue shall be made available for trading on the next working date of allotment (T+2 day).
- (vii) The directions issued pursuant to SEBI Circular No. CIR/MRD/DP/21/2012 dated August 02, 2012 and CIR/MRD/DP/ 24 /2012 dated September 11, 2012 requiring credit of bonus shares in temporary ISIN shall be exempted in case of bonus issue of equity shares, and credit of shares directly in permanent ISIN (existing ISIN) shall be permitted in case of bonus issue of equity shares.
3. The Exchange(s) and Depositories are advised to make amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision, as may be applicable/necessary.
4. This circular shall be applicable for all bonus issues announced on or after DDMMYY. Any delay in compliance with the timelines as mentioned above will attract penalties as determined under point 4.1 of SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2019/94 dated August 19, 2019 on '*Non-compliance with certain provisions of SEBI ICDR Regulations*'.
5. This circular is being issued in exercise of the powers under section 11 read with section 11A of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
6. This circular is available on SEBI website at www.sebi.gov.in under the category: 'Legal → Circulars'.

Yours faithfully,