

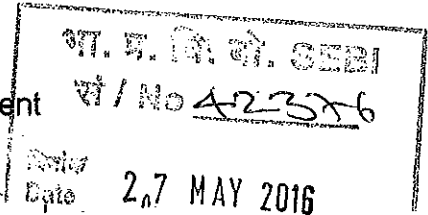


(A wholly owned subsidiary of Bank of India)
CIN:U65190MH2014GOI258997

BOIMB/SMP/2016-17/7

26.05.2016

Securities and Exchange Board of India
Market Intermediaries Regulation and Supervision Department
SEBI Bhawan, Plot No. C4-A, G Block,
Bandra Kurla Complex, Bandra East,
Mumbai-400051



Dear Sir,

Sub: Request for interpretative letter under the SEBI (Informal Guidance) Scheme, 2003 on requirement of licence to undertake security trustee business

We, BOI Merchant Bankers Limited is a wholly owned subsidiary of Bank of India and a SEBI registered Category I Merchant Banker, with registration No. INM0000012201 dated 21.01.2015.

Applicable Regulations

Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993 ("Regulations").

As per section 2 bb of the Regulations, debenture trustee means a trustee of a trust deed for securing any issue of debentures of a body corporate.

Section 3 (1) of the Regulations provides that an application by a debenture trustee for grant of a certificate shall be made to the Board in Form A.

Section 7 of the Regulations specify the eligibility criterion for being debenture trustee and provides that no person shall be entitled to act as a debenture trustee unless he is either—

- (a) a scheduled bank carrying on commercial activity; or
- (b) a public financial institution within the meaning of section 4A of the Companies Act, 1956; or
- (c) an insurance company; or
- (d) body corporate.

Our Interpretation

We propose to undertake :

- a. trusteeship business for banks/ financial institution for their credit business which



SEBI/IW/P/20160528/0000042376



Office: Star House 2, 1st floor, C4, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051
Tel : +91 22 6131 2903-06 email : info@boimb.com

essentially involves acting as Security Trustee for holding the securities over tangible/ intangible assets charged to the Lenders for Loans granted by them in syndicated/ securitization transaction. Such transactions may be under consortium/ multiple or sole banking arrangement.

b. It is also proposed to act as Share Trustee for holding share pledge on behalf of the Lenders, Escrow Trustee etc. and documentations for loans and advances of various centers.

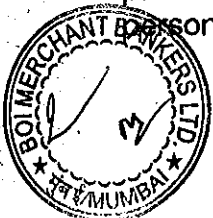
We do not propose to undertake Debenture Trustee business i.e. to act as trustee of a trust deed for securing any issue of debentures of a body corporate.

We understand that registration under the Regulations is only required if we act /propose to act as trustee of a trust deed for securing any issue of debentures of a body corporate, however, since we propose to undertaking trusteeship business as mentioned above only, we may not require fresh/separate registration under the SEBI (Debenture Trustees) Regulations, 1993.

In accordance with the provisions of SEBI(Informal Guidance) Scheme, 2003, we would like to seek your guidance on following queries by way of interpretative letter in context of aforesaid provisions.

- a. Whether only undertaking trusteeship business for banks/ financial institution for their credit business which essentially involves acting as Security Trustee for holding the securities over tangible/ intangible assets charged to the Lenders for Loans granted by them in syndicated/ securitization transaction or acting as Share Trustee for holding share pledge on behalf of the Lenders, Escrow Trustee etc. and documentations for loans and advances of various centers by category- 1 registered merchant banker i.e. BOI Merchant Bankers Ltd will require a separate registration under SEBI (Debenture Trustees) Regulations, 1993 or under any other SEBI Regulation or not ?
- b. If answer to above query is yes, then whether registration is required under SEBI (Debenture Trustees) Regulations, 1993 or under which other SEBI Regulation, if any.
- c. If answer to above query is yes, then whether BOI Merchant Bankers Ltd can apply for registration under SEBI (Debenture Trustees) Regulations, 1993 and hold both the registrations simultaneously i.e. Category- 1 Merchant Banker and Debenture Trustee ?

We request for an interpretative letter from you on the above matter in accordance with Para 5 (ii) of SEBI (Informal Guidance) Scheme 2003 and will be pleased to provide any additional information on hearing from you and will be available for personal discussion, at your convenience, if necessary.



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We are enclosing herewith DD No. 529195 dated 27.05.2016 for Rs. 25000/- (Rs. Twenty Five Thousand only) favouring Securities and Exchange Board of India drawn on Bank of India towards the fees payable for seeking interpretative letter of SEBI under SEBI (Informal Guidance) Regulations 2003.

We would highly appreciate your immediate attention in the matter.

Thanking You,

Yours faithfully,


(N. K. Sood)
Managing Director



बैंक ऑफ़ इंडिया के कार्ड में
A/c Payee Only



बैंक ऑफ़ इंडिया

BANK OF INDIA

BANKER'S CHEQUE

27-05-2016
D D M M Y Y Y Y

SECURITIES AND EXCHANGE BOARD OF INDIA

Pay

को या उनके आदेश पर Or Order

रुपये Rupees

Twenty Five Thousand only

*****25,000.00

529195

25000.00

अदा करें

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बैंक ऑफ़ इंडिया



कृते बैंक ऑफ़ इंडिया for BANK OF INDIA

खा. सं.
A/c. No.

NOT OVER ₹

सा/ब ख जारी - भुगतान पर्ची
G/L A/c Payslip Issued

जारी किये जाने से तीन महीने तक वैध है
Valid for 3 months from the date of issue

R. S. Srinivas
पी.एफ.नं./P.F.No.

पी.एफ.नं./P.F.No.

अधिकृत हस्ताक्षरकर्ता Authorised Signatory

BFS/HO/C

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(A wholly owned subsidiary of Bank of India)
CIN:U65190MH2014GOI258997

BOIMB/SMP/2016-17/

06.06.16

Securities and Exchange Board of India
Market Intermediaries Regulation and Supervision Department
SEBI Bhawan, Plot No. C4-A, G Block,
Bandra Kurla Complex, Bandra East,
Mumbai-400051

Dear Sir,

Sub: Request for interpretative letter under the SEBI (Informal Guidance) Scheme, 2003 on requirement of licence to undertake security trustee business

We request reference to our letter No. BOIMB/SMP/2016-17/7 dated 26.05.2016 on the captioned matter, enclosing DD No. 529195 dated 27.05.2016 for Rs.25,000/- as fees towards request for interpretative letter under SEBI (Informal guidance) Scheme 2003.

Subsequently, on 3rd June we were given to understand by Ms Suchismita of your Office that the fee payable for the above is Rs.50000/- . In view of the same, we are enclosing a fresh DD No. 529283 dated 04.06.2016 for Rs.50,000/-.

We now request you to kindly return the earlier DD for Rs.25,000/- and process our application for interpretative letter under the SEBI (Informal Guidance) Scheme 2003.

We would highly appreciate your immediate attention in the matter.

Thanking you,

Yours faithfully,


(N. K. Sood)
Managing Director

Encl: As above

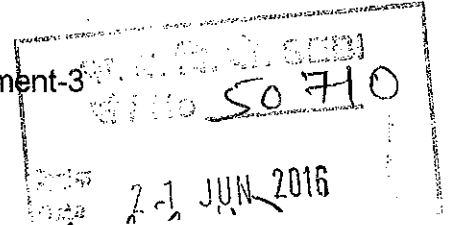


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BOIMB/MS/2016-17/27

21.06.2016

The Assistant General Manager
Securities and Exchange Board of India
Market Intermediaries Regulation and Supervision Department-3
SEBI Bhawan, Plot No. C4-A, G Block,
Bandra Kurla Complex, Bandra East,
Mumbai-400051



Madam,

Sub: Informal Guidance on requirement of licence to undertake security trustee business.

We request reference to our letter BOIMB/SMP/2016-17/7 on the captioned subject and your latest e mail dated 20.06.2016 seeking clarification on what is Security Trustee, Share Trustee and Escrow Trustee and the work performed under these services. We now provide hereunder the clarifications sought by you.

Security Trustee :

Security Trustee is normally appointed when Lenders / Financers are extending the finance to Borrower under consortium arrangement/ Multiple Lender Arrangement or on syndication basis. Normally in such arrangement, the Terms and Conditions of sanction of each individual Bank / Institution may be similar or different. However, security for similar facility is common and shared in pari passu basis.

Therefore, Security Trustee is appointed, whose role is to create and hold the security on behalf of all the lenders till the time, the loan is settled. Security Trustee also holds the loan documents created by borrowers on behalf of lenders.

It may be stated that Security Trustee cannot precipitate any action on its own unless it is specifically instructed by all lenders or by Facility Agent as per arrangement. Broadly, the other functions performed by a security trustee also include

- advising on security creation procedure and stamp duty provisions/implications.
- creating / holding the security in its own name (acting as trustee for Lenders)
- keeping the security documents and documents of title in safe custody.
- acting upon the instructions of the Lenders
- monitoring the security & if need be, review financial position of Borrowers from time to time
- monitoring the Asset Coverage Ratio, if stipulated.
- maintaining Records and submit various reports to the Lenders.
- re-conveying the mortgaged properties on repayment.
- enforcing the security, if need be.
- monitoring insurance policies.



SEBI/IW/P/20160622/0000050710

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Share Trustee:

Some Lenders also obtain shares as security against the loans extended by them to corporate borrowers. Lenders appoint Share Trustee(Share Pledge Trustee) to hold the shares(in demat / physical mode) as security on their behalf.

Share Pledge Trustee is often appointed as Monitoring Agent for valuation of shares and calculating Asset Coverage Ratio.

Share Pledge Trustee based on the valuation, inform the Lender whether topping up of shares is required or not? If required, it will arrange to get the additional shares pledged for the Lenders or seek the necessary instructions of the Lenders.

Broadly, the other functions performed by a share trustee also include

- holding the shares as security on behalf of Lenders as share pledge trustee.
- Monitoring the compliance laid down in Share Pledge Agreement.
- Monitoring the Valuation of shares periodically on an ongoing basis.

Escrow Trustee:

Normally when transaction is based on certain happening an Escrow Agent i.e. impartial party is appointed as Escrow Agent. For example, in case of takeover / merger case, Escrow Agent monitors the transfer of shares against payment / fulfillment of certain agreed conditions.

An Escrow Agent broadly performs the following functions :

- draft and vet the Escrow Agreement and define the flow as required under the transaction structure
- facilitate finalization and completion of necessary documentation
- hold shares / money or any other asset in the Escrow Account
- monitor the Escrow Account

We trust that the clarifications sought by you have been provided by us.

Thanking You,

Yours faithfully,


(N. K. Sood)
Managing Director

