

Sebi bans incentive payment in debt issues

The Securities and Exchange Board of India (Sebi) on Monday banned payment of incentives to investors to bid in public sale of bonds as it considers the practice leads to an 'unfair advantage' to a select few and raises the cost to issuer.

"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," Sebi said in a note posted on its website.

Middlemen in the financial services hit by slumping trading volumes in stocks and near stagnation in sale of mutual fund schemes have hit upon a novel way to make money from sale of debt instruments. Public bond sales are rising with many companies such as Rural Electrification Corp, National Highway Authority of India and others planning to raise thousands of crores from retail investors. To get a higher share, some brokers are offering incentives for investors to buy these bonds through them, which Sebi feels is not right.

However, the regulator clarified that this won't apply to fees or commission for services rendered in relation to the issue. National Highways Authority of India is on a road show to raise as much as 10,000 crore in a public issue of bonds.

(Economic Times)