

Securities & Covenant Monitoring - DLT Platform

April 30, 2022



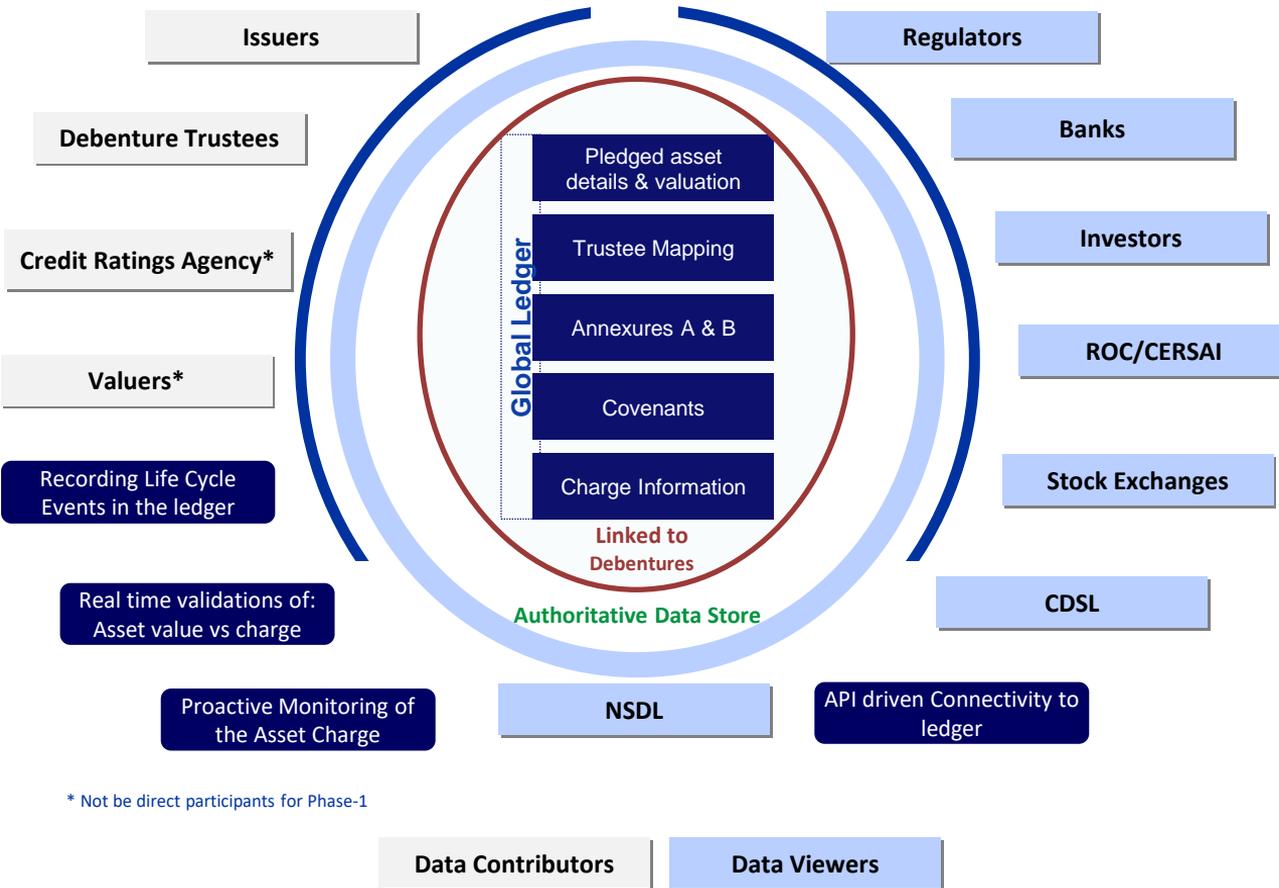
NSDL
Technology, Trust & Reach¹

NSDL has launched a state-of-art **Blockchain** based platform for the Debenture Security & Covenant Monitoring on April 1, 2022.

Enable Issuers and Debenture Trustees to manage the entire life cycle of issuance of corporate bonds and facilitate the monitoring of the security given and the covenants and bring about **greater discipline and transparency** to this market segment.

It is first of its kind implementation of block chain technology in the Corporate Bond Market in India as well as the world.

Envisioned model of the eco-system



- Key Concepts**
- ✓ Creation of an authoritative data store by NSDL which will have the immutable, time-stamped records of the debenture and the asset/asset valuations that are backing the debentures
 - ✓ The data can be shared with relevant parties and updated based on agreed mechanisms

Business Drivers of the initiative

Transparency



Increase Transparency:

SEBI (Securities and Exchange Board of India) wants to bring discipline and greater transparency to Debentures Assets and Charges:

- Asset status is diligently reported by the Issuer of the Debenture
- Asset securities are validated by the Debenture Trustees and are non-disputable
- Transactions are recorded and the periodic changes to the Debenture status are monitored
- Issuer-trustee relationship is made transparent

Prevent Double Spend



Prevent Double Spend:

The security for the loans did not involve any appropriate checks and balances necessary in the system resulting in double spend of assets for multiple debts

Standardization



Streamline asset validation process:

Due to recent debacles in the industry (Debt defaults) streamlining the periodic asset validation and approval processes are necessary

Collaboration



Enhance Collaboration:

In the current centralized operating model - participants rely on central trade representation and processing by systems. Needs movement towards more collaborative market partnership approach for delivering services. With a decentralized system, the delays in the issuance of NOCs can be reduced

Debenture Process - Key Participants



Financial Institutions, subsequently lending on the hypothecated assets and validate debenture cash flow events



Regulators, watchdog for the issuance and trading of fixed income securities



Investors, Institutional/individual entities intending to invest in the securities



Exchange, maintains orderbook and takes counterparty risk



Credit Ratings Agency, for risk classification of the issued instrument



Platform operator / System Integrator (e.g. Cognizant), maintains administrative functions on the platform



Trustee, creates / maintains financial charge and ensure covenants are adhered by issuers and keeps a tab on the risk factors



Issuers, are the original borrowers that have issued these securities and are responsible for servicing the coupon payments



Depositories, organization that holds securities in the dematerialized form

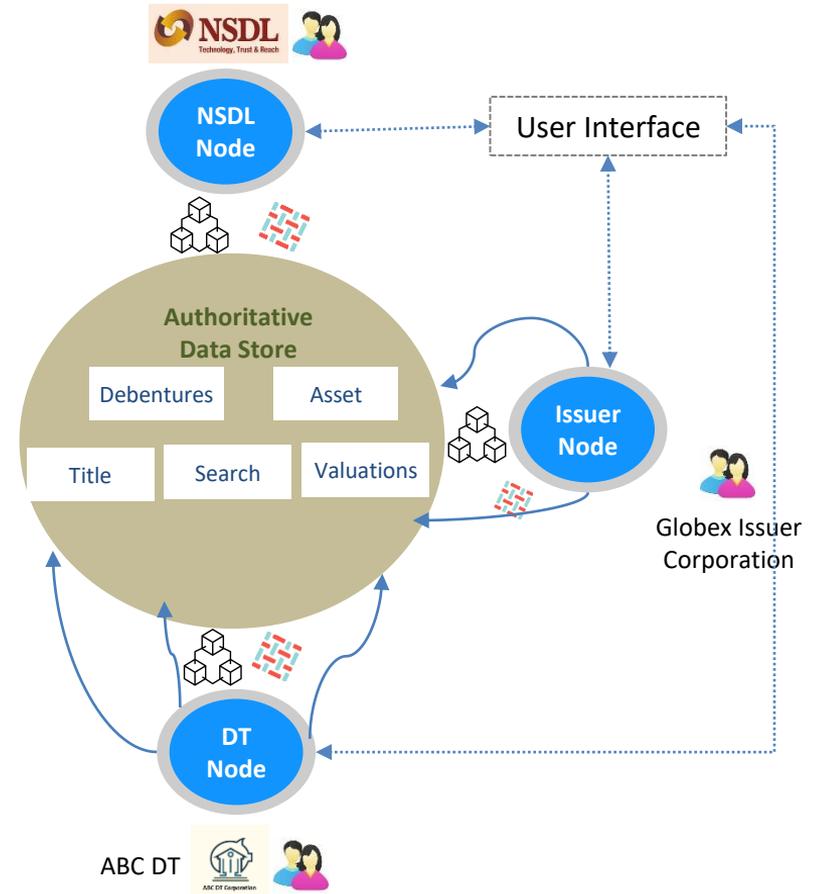
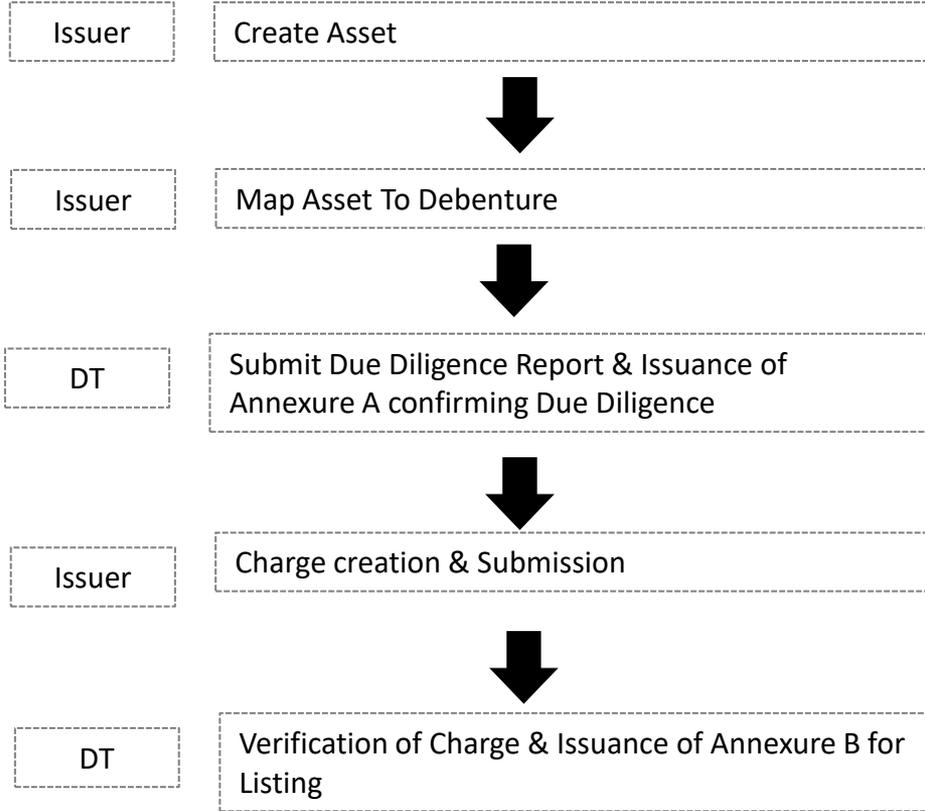


Valuers, for collaterals issued against the bonds/debentures

Key Pillars of the Platform



Workflow



Key Benefits

- Highly Secured
- Maintain a unified view and single source of record for all the involved parties
- Maintain transparency and provide timely information
- Reduce operational cost
- Achieve standardisation in the data exchange process
- Build investor confidence

Thank You