

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3897
ANSWERED ON:27.04.2012
STOPPAGE OF INCENTIVES QUESTION
Venugopal Shri P.

Will the Minister of FINANCE be pleased to state:

- (a) whether Securities and Exchange Board of India (SEBI) has suggested to stop incentives to debt investors;
- (b) If so, the details thereof and reasons cited therein; and
- (c) the steps taken/ proposed to be taken thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): Yes Sir. Securities and Exchange Board of India (SEBI) had received information that some brokers/distributors were passing on part of their brokerage/commission to the final investor(s) for subscription to public issue of debt. This practice on one hand was giving unfair advantage / bargaining power to a certain set of investors and distributors, on the other hand it was adding to the cost of issuance for the company.

(c): SEBI issued a circular in December 2011, prohibiting payment of incentives, direct or indirect, whether in cash or kind or service or otherwise in respect of public issue of debt, by any person connected with the issue.