



## Ministry of Urban Development Smart Cities Mission

**Advisory No. - 5**

21<sup>st</sup> December, 2016

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Sub: Empanelment of Transaction Advisors for providing technical assistance to Urban Local Bodies in issuing municipal bonds in the Smart Cities.

The Ministry of Urban Development vide OM No.K14012/101/(16)2016-SCM III-V has circulated a list of empanelled transaction advisors for providing technical assistance to ULBs in issuing municipal bonds available on Smart City website ([http://smartcities.gov.in/writereaddata/OM\\_TA.pdf](http://smartcities.gov.in/writereaddata/OM_TA.pdf).) Model RFP and draft contract was also issued along with the OM. The details Term of Reference and tasks to be performed by the transaction advisor are included in the model RFP.

The matter was also taken up with SEBI and on their recommendation, it is further advised, to consider following tasks as part of the assignment wherever required:

1. Assessment of the financial preparedness of the ULB in terms of the accounting and auditing requirements as prescribed in SEBI (Issue And Listing Of Debt Securities By Municipalities) Regulations, 2015 (SEBI Regulations). The advisory firm may assess the financial situation of the ULBs and guide it to achieve the level of financial reporting and auditing as prescribed under SEBI regulations. It should include the preparation of accounts and compliance with the audit requirements.
2. If accounts of municipalities are being prepared based on single entry system, in such cases, the municipalities may be advised to get the accounts of previous three years restated and audited by a qualified chartered accountant.

3. Moreover, if a municipality intends to list its securities on the exchange, it should be prepared to comply with the continuous listing conditions of SEBI, which may require the municipality to file its financial statements with the SEBI at periodic intervals say on a half yearly or quarterly basis.
4. Along with the appointment of merchant banker and credit rating agency a compliance officer must be appointed in terms of SEBI Regulations for ensuring continuous compliance with various SEBI provisions related to bond issuance and continuous disclosure requirements. Advisory firm should also help ULBs to evolve a Investor Grievance Redressal Mechanism for dealing with investor complaints w.r.t. issuance of Municipal Bonds.