

SEBI Launches Two New Investor Awareness Videos on Corporate Bonds

The Securities and Exchange Board of India (SEBI) has launched two new investor awareness videos aimed at enhancing investor understanding of the corporate bond market and promoting informed investment decisions. This initiative forms part of SEBI's broader strategy to deepen India's corporate bond market, improve financial literacy, and encourage greater retail participation.

Key Topics Covered

1. Understanding Credit Ratings

One of the videos focuses on the importance of credit ratings in corporate bond investments.

- Credit ratings indicate the creditworthiness and repayment capacity of the bond issuer.
- They help investors assess the risk associated with investing in a particular bond.
- Higher-rated bonds generally carry lower default risk, whereas lower-rated bonds may offer higher returns but involve greater risk.
- The video educates investors on how ratings issued by recognized credit rating agencies can aid informed investment decisions.

2. Dirty Price vs Clean Price of Bonds

The second video explains the often-confusing concepts of “Clean Price” and “Dirty Price” in bond transactions.

- Clean Price: The market price of a bond excluding accrued interest.
- Dirty Price: The total price paid by the buyer, including the bond's accrued interest from the last coupon payment date.
- The video simplifies these technical concepts to help investors better understand bond valuation and pricing practices in the debt market.

Background of the Initiative

- SEBI initially launched four investor awareness videos during the inaugural phase of its corporate bond market awareness programme.
- These were followed by the launch of two additional videos during the Issuer Outreach Programme held in Mumbai.

- The initiative is part of SEBI's ongoing efforts to strengthen investor education and increase awareness about fixed-income investment products.

Significance for Investors

The new educational content aims to:

- Improve investor understanding of corporate bond investments.
- Promote informed decision-making based on risk and returns.
- Enhance transparency in bond pricing mechanisms.
- Encourage wider retail participation in the corporate debt market.
- Support the development of a deeper and more efficient bond market in India.

Key Takeaway

SEBI's launch of two additional investor awareness videos reflects its continued commitment to financial literacy and bond market development. By educating investors on credit ratings and bond pricing concepts such as clean price and dirty price, SEBI seeks to make corporate bond investments more accessible, transparent, and understandable, thereby fostering greater confidence and participation in India's corporate bond market.