

CIRCULAR

SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/142

October 19, 2022

To,

**Issuers who have listed Non-convertible Securities, Securitised Debt Instruments, Municipal Debt Securities and Commercial Paper;
Recognised Stock Exchanges and Clearing Corporations;
Registered Depositories;
Stock Brokers and Depository Participants**

Madam/ Sir,

Sub: Request for Quote (RFQ) platform for trade execution and settlement of trades in listed Non-convertible Securities, Securitised Debt Instruments, Municipal Debt Securities and Commercial Paper

1. The framework for a dedicated debt segment was introduced by SEBI vide circular no. CIR/MRD/DP/03/2013 dated January 2013, permitting the stock exchanges to offer electronic, screen based trading providing for order matching, request for quote, negotiated trades, etc.
2. In February 2020, pursuant to approvals from SEBI, both National Stock Exchange of India Limited and BSE Limited launched RFQ platforms, as an extension of their existing trade execution and settlement platforms, to bring in transparency in “*Over the Counter*” deals which were negotiated bilaterally. RFQ is an electronic platform to enable sophisticated, multi-lateral negotiations to take place on a centralized online trading platform with straight-through-processing of clearing and settlement to complete a trade.
3. **Basic features of the RFQ platform:**
 - 3.1. The RFQ platform is a system or interface for inviting and/ or giving quotes on an electronic platform.
 - 3.2. A participant who seeks quote(s) is termed as an Initiator and a participant who acts/ responds to the quote requests of the Initiator is termed as a Responder.
 - 3.3. A participant may request other participants for a quote for eligible securities.
 - 3.4. The Initiator has the option to place quote(s) by disclosing its name or anonymously.
 - 3.5. The quote can be placed to an identified counterparty (i.e. ‘*One to One*’ (OTO) mode) or to all the participants (i.e. ‘*One to Many*’ (OTM) mode).

- 3.6. The platform provides the participants a range of options to seek a quote and to respond to a quote, while keeping an audit trail of all interactions i.e. quoted yield, mutually agreed price, deal terms etc.
- 3.7. The quotes will be bilaterally negotiated between the counterparties, based on specified parameters. The acceptance of a quote by a participant will be considered as mutual agreement between the parties for the given deal.
4. The following securities are eligible for being traded on the RFQ platform:
- 4.1. Non-convertible securities;
 - 4.2. Securitised Debt Instruments;
 - 4.3. Municipal Debt Securities;
 - 4.4. Commercial Paper;
 - 4.5. Certificate of Deposit;
 - 4.6. Government Securities;
 - 4.7. State development Loans;
 - 4.8. Treasury Bills; and
 - 4.9. Any other instrument, as may be specified by Stock Exchanges in consultation with SEBI.
5. In February 2020, the RFQ platform was introduced as a '*participant-based*' model wherein all regulated entities, listed bodies corporate, institutional investors and all India financial institutions were eligible to register, access and transact. To enhance liquidity on the RFQ platforms of the stock exchanges, SEBI has, *inter alia*, mandated¹ registered Mutual Funds and Portfolio Management Services, to undertake a specified percentage of their total secondary market trades in Corporate Bonds through RFQ platform of stock exchanges. IRDAI has also prescribed similar stipulations for Insurers.
6. SEBI has been receiving representations from market participants to permit stock brokers to place bids on behalf of their clients to facilitate wider market participation in the corporate bond market. After consideration and deliberations, it has been decided to allow stock brokers registered under the debt segment of the Stock Exchange(s) to place/seek bids on the RFQ platform on behalf of client(s), in addition to the existing option of placing bids in a proprietary capacity.
7. The Stock Exchange(s) are directed to:
- 7.1. *put in place the necessary infrastructure for access and use of the platform by the participants including stock brokers and issue necessary circular(s) covering the modalities for operational aspects;*
 - 7.2. *bring the provisions of this circular to the notice of SEBI registered Stock Brokers and disseminate the same on their websites; and*

¹ Circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/641 dated October 6, 2021 and circular no. SEBI/HO/IMD/IMD-I/DOF1/P/CIR/2021/678 dated December 9, 2021, as amended from time to time.

- 7.3. *make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above directions in coordination with one another to achieve uniformity in approach and communicate to SEBI.*
8. This circular shall come into force with effect from January 1, 2023.
9. The Circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 55 (1) of the SEBI (Issue and Listing of Non-convertible Securities) Regulations, 2021, Regulation 29 of the SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 and Regulation 48 of the SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008, to protect the interest of investors in securities and to promote the development of, and to regulate the securities market.
10. This Circular is available at www.sebi.gov.in under the link "Legal→Circulars".

Yours faithfully,

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