



PR No. 33/2022

SEBI allows brokers to place bids on RFQ platform;

Secondary market in corporate bonds to get a boost

SEBI has allowed stock brokers registered under the debt segment of the Stock Exchange(s) to place/seek bids on the Request for Quote (RFQ) platform on behalf of client(s), in addition to the existing option of placing bids in a proprietary capacity. The new norm that will come into effect from January 1, 2023 is expected to result in enhanced participation by public at large as well as in the deepening of the secondary market in corporate bonds.

RFQ is an electronic platform that enables multilateral negotiations to take place on a centralized online trading platform with straight through processing of clearing and settlement to complete trades. 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 in corporate bonds, which were negotiated bilaterally.

The platform provides 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. The quotes are bilaterally negotiated between the counterparties. Presently, the RFQ platform runs as a ‘*participant-based*’ model wherein all regulated entities, listed corporate bodies, institutional investors and all India financial institutions are eligible to register, access and transact.

To enhance liquidity on the RFQ platforms of the stock exchanges, SEBI has mandated 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. Since its introduction, the percentage of RFQ trades to total trades in the bond market has been growing and presently stands around 30%.

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. Hence, it has been decided to allow stock brokers to place bids on RFQ platform.

The SEBI [Circular](#) issued in this regard is available at the SEBI website www.sebi.gov.in.

Mumbai

October 20, 2022