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COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/POLCY/2023/364

June 21, 2023

SEBI CIR - ADHERENCE TO PROVISIONS OF REGULATION 51A OF SEBI

DPs are advised to refer **SEBI Circular no. SEBI/HO/DDHS/POD1/P/CIR/2023/092** dated **June 16, 2023**, regarding **Adherence to provisions of regulation 51A of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 by Online Bond Platform Providers on product offerings on Online Bond Platforms [refer Annexure]**.

DPs are advised to take note of the circular.

Queries regarding this communiqué may be addressed to: **CDSL – Helpdesk** Emails may be sent to: helpdesk@cdslindia.com and telephone number 08069144800.

sd/-

Nilesh Shah
Asst. Vice President – Operations



CIRCULAR

SEBI/HO/DDHS/POD1/P/CIR/2023/092

June 16, 2023

To

**Entities operating as online bond platform providers;
Recognised Stock Exchanges and Clearing Corporations; and
Stock Brokers**

Madam/ Sir,

Sub: Adherence to provisions of regulation 51A of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 by Online Bond Platform Providers on product offerings on Online Bond Platforms

1. Regulation 51A of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (NCS Regulations), *inter-alia*, defines “online bond platform provider” as ‘any person operating or providing an online bond platform’ and “online bond platform” as ‘any electronic system, other than a recognised stock exchange or an electronic book provider platform, on which the debt securities which are listed or proposed to be listed, are offered and transacted.’
2. SEBI Circular SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2022/154 dated November 14, 2022 (‘OBP Circular’) provides for the registration and regulatory framework for Online Bond Platform Providers. Clause 5.2 of the OBP circular reads as follows:

“An entity acting as an OBPP on or prior to this circular coming into force, shall cease to offer products or services or securities on its OBP other than the following:

 - 5.2.1. Listed debt securities and
 - 5.2.2. Debt securities proposed to be listed through a public offering.

Such OBPP shall divest itself of offerings of other products or services or securities.”
3. While a few Online Bond Platform Providers have commenced operations, the following are observed:

- 3.1. Certain Online Bond Platform Providers continue to offer products other than listed debt securities and debt securities proposed to be listed through a public offering on their Online Bond platform;
- 3.2. Certain Online Bond Platform Providers are offering unlisted bonds/ other products on a separate platform/ website and have not divested of such offerings in terms of clause 5.2 of the OBP circular; and
- 3.3. Certain Online Bond Platform Providers have a link on the online bond platform/ website to another platform/ website for transacting in unlisted bonds/ other products.
4. The aforesaid practices are not as per the mandate provided in the NCS Regulations and the OBP circular.
5. Separately, SEBI is also in receipt of representations from Online Bond Platform Providers to permit them to offer other regulated and listed securities such as Government Securities, Commercial Paper etc. on Online Bond Platforms.
6. This circular deals with these issues as well as certain consequential changes to the OBP circular. Accordingly, Online Bond Platform Providers are advised the following:

Restriction of products offered on an Online Bond Platform:

- 6.1. It is reiterated that an entity acting as an Online Bond Platform Provider shall cease to offer on its Online Bond Platform or any other platform/ website, products or services not permitted under the clause 5.2 of the OBP circular (as revised below).
- 6.2. It is also reiterated that an entity acting as an Online Bond Platform Provider shall divest itself of offerings of other products/ securities or services.
- 6.3. A holding company, subsidiary or associate of an Online Bond Platform Provider or any third party shall not utilize the name/ brand name/ any name resembling to that of the Online Bond Platform Provider or the Online Bond Platform for undertaking any activity or offering products/ securities or services (including offering of unlisted securities) that are not regulated by a financial sector regulator viz. SEBI, RBI, IRDAI, or PFRDA.

6.4. An Online Bond Platform Provider shall not have on its Online Bond Platform or any other platform/ website, any link or tab to websites/ platforms of its holding company, subsidiary or associate, undertaking any activity or offering products/ securities or services (including offering of unlisted securities) that are not regulated by a financial sector regulator viz. SEBI, RBI, IRDAI, or PFRDA.

6.5. If the online bond platform or any other platform/ website of the Online Bond Platform Provider has any link/ tab to websites/ platforms of its holding company, subsidiary or associate, undertaking any activity or offering products/ securities or services that are regulated by other financial sector regulators viz. RBI, IRDAI, or PFRDA, then once a user clicks on such tab/ link, the following disclaimer shall be displayed in legible font:

“<Name of the product> is regulated by <RBI/ IRDAI/ PFRDA>”

6.6. A holding company, subsidiary or associate of an Online Bond Platform Provider undertaking any activity or offering products/ securities or services (including offering of unlisted securities) that are not regulated by any financial sector regulator viz. SEBI, RBI, IRDAI, or PFRDA, shall neither have access to or receive any information about a user of the Online Bond Platform nor cross-sell products/ securities or services to a user of the Online Bond Platform.

7. Securities that can be offered on Online Bond Platforms:

Taking into account representations from Online Bond Platform Providers, it has been decided to permit them to offer certain other securities on their Online Bond Platforms. Accordingly, the provisions of Clause 5.2 of the OBP circular stand revised as under:

“5.2 An entity acting as an Online Bond Platform Provider on or prior to November 14, 2022, shall divest itself of offerings of products or services or securities on its Online Bond Platform or any other website/ platform other than the following:

5.2.1 Listed debt securities, listed municipal debt securities and listed securitised debt instruments;

5.2.2 Debt securities, municipal debt securities and securitised debt instruments proposed to be listed through a public offering;

*5.2.3 Listed Government Securities, State Development Loans and Treasury Bills;
and*

5.2.4 Listed Sovereign Gold Bonds.”

8. Investor Grievance Redress Mechanism - Online Bond Platforms:

In line with the Master Circular no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023 for Stock Brokers, the mechanism for redress of investor grievances shall be as specified in Chapter VII on “*Investor Grievance Redressal*” of Master Circular for Stock Brokers dated May 17, 2023 and as amended from time to time. Accordingly, the following consequent changes to Annex A of the OBP circular are carried out:

8.1. Clause 6 shall read as under:

“6. Investor grievance Redress Mechanism

The mechanism for the redress of the investor grievances shall be as specified in Chapter VII on “Investor Grievance Redressal” of Master Circular for Stock Brokers bearing no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023 and as amended from time to time.”

8.2. Clause 1.1.3 shall stand deleted.

9. In view of the modifications mentioned above, the OBP circular shall undergo certain consequential changes, which are outlined in the **Annex** to this circular.

10. Any Online Bond Platform Provider who fails to comply with the provisions of this circular shall be liable for action specified under the SEBI Act and any rules, regulations and circulars issued thereunder.

11. 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 to protect the interest of investors in securities and to promote the development of, and to regulate the securities market.

12. This circular shall come into force with immediate effect.

13. The Stock Exchange(s) are directed to:

13.1. bring the provisions of this circular to the notice of Stock Brokers/ Online Bond Platform Providers and also disseminate the same on their websites;

- 13.2. 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; and
- 13.3. monitor the operations carried out by Online Bond Platform Providers.
14. This Circular is available at www.sebi.gov.in under the link "Legal→Circulars".

Yours faithfully,

Pradeep Ramakrishnan
General Manager
Department of Debt and Hybrid Securities
+91-22-26449246
pradeepr@sebi.gov.in

Consequential changes to the OBP Circular

1. Para 3.4 of Annex –A to the OBP circular shall read as under:

3.4 Execution of orders:

The entity shall ensure that:

- 3.4.1 *All Orders placed on an Online Bond Platform with respect to securities, as specified in clause 5.2.1 of this circular shall be mandatorily routed through the RFQ platform of a recognised Stock Exchange and settled through the respective Clearing Corporation.*
- 3.4.2 *All Orders with respect to securities as specified in clauses 5.2.2 of this circular shall be routed and settled through a Stock Exchange mechanism.*
- 3.4.3 *All Orders with respect to securities as specified in clauses 5.2.3 and 5.2.4 of this circular shall be routed and settled through a Stock Exchange mechanism, unless otherwise specified by RBI.*
2. The phrase ‘*debt securities*’ mentioned in Para 8 of Annex –A to the OBP circular shall be replaced by the phrase ‘*eligible securities as specified in clause 5.2 of this circular*’.
3. The phrase ‘*debt securities*’ mentioned in Para 11.2.2 of Annex –A to the OBP circular shall be replaced by the phrase ‘*eligible securities as specified in clause 5.2 of this circular*’.
4. The header to Annex-B to the OBP circular shall be revised as under:
- “*Minimum Disclosure Requirements (as applicable) for each security offered on the Online Bond Platform*”**
5. The phrase ‘*debt securities*’ mentioned in Para 3.2 of Annex–A to the OBP circular shall be replaced by the phrase ‘*eligible securities as specified in clause 5.2 of this circular*’.