

CIRCULAR

SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/83

June 02, 2023

**To,
All Stock Brokers through recognized Stock Exchanges**

Dear Sir/Madam,

Subject: Transactions in Corporate Bonds through Request for Quote (RFQ) platform by Stock Brokers (SBs).

1. SEBI has been taking steps to increase the liquidity on RFQ platform of stock exchanges to enhance the transparency and disclosure pertaining to trading in secondary market in corporate bonds. Certain stipulations have been made for transactions on RFQ platform by Mutual Funds¹, Portfolio Management Services² and Alternate Investment Funds³.
2. Similarly, it has been decided to take steps to increase liquidity on RFQ platform vis-à-vis trading in Corporate Bonds (CBs) by SBs, as under:
 - a. With effect from July 01, 2023, for all the trades in proprietary capacity, SBs shall undertake at least 10% of their total secondary market trades by value in CBs in that month by placing/seeking quotes through one-to-one (OTO) or one-to-many (OTM) mode on the RFQ platform of stock exchanges.
 - b. Further, with effect from April 01, 2024, for all the trades in proprietary capacity, SBs shall undertake at least 25% of their total secondary market trades by value in CBs in that month by placing/seeking quotes through OTO or OTM mode on the RFQ platform of stock exchanges.
 - c. SBs shall consider the trades executed by value through OTO or OTM mode of RFQ with respect to the total secondary market trades in CBs, during the current month and immediate preceding two months on a rolling

¹ Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/130 dated July 22, 2020 and Circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/641 dated October 06, 2021

² Circular no. SEBI/HO/IMD/IMD-I/DOF1/P/CIR/2021/678 dated December 09, 2021

³ Circular no. SEBI/HO/AFD/PoD/P/CIR/2023/017 dated February 01, 2023

basis. Only trades pertaining to proprietary capacity of SBs shall be considered for the purpose of such calculations.

- d. Further, in terms of SEBI Circular SEBI/HO/DDHS/P/CIR/2022/142 dated October 19, 2022, quotes on RFQ platform can be placed to an identified counterparty (i.e. 'one-to-one' mode) or to all the participants (i.e. 'one-to-many' mode). SBs are encouraged to place bids (in proprietary capacity or for clients) on RFQ platform through OTM mode, as the same shall contribute towards achieving better price discovery.
3. The stock exchanges are directed to:
 - a. bring the provisions of this circular to the notice of their members and also disseminate the same on their websites;
 - b. make amendments to the relevant bye-laws, rules and regulations for the implementation of the above provisions;
 - c. communicate to SEBI, the status of the implementation of the provisions of this circular in their monthly development report; and
 - d. file the compliance report beginning August 2023 with the Department of Debt and Hybrid Securities (DDHS), SEBI.
 4. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

Yours faithfully,

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