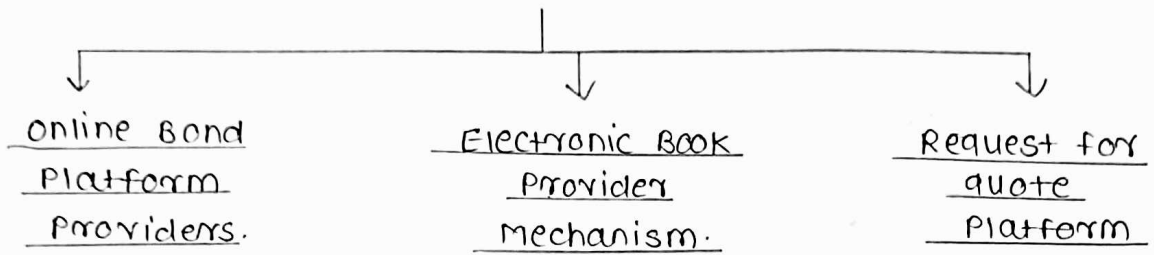


Ch-14 PART-2

SYNOPSIS.



PART - B.

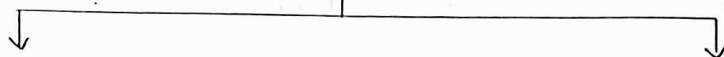
Online Bond Platform Providers



→ It means any person operating or providing online bond platform means any electronic system, other than a Recognised stock ex. or an electronic book provider platform, on which the debt sec which are listed or proposed to be listed are offered and transacted.



Entities operating as OBPP.



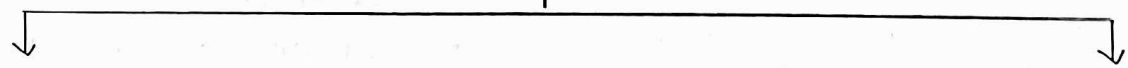
→ shall be a co. incorporated in India and reg. it'self as a stock broker in the debt segment of the stock ex.

→ An entity acting as OBPP shall cease to offer product / service on its OBPP other than the ↓

→ Listed debt securities
→ se Debt sec. Proposed to be listed thr. Public offer
such sec. shall divest itself of offering of other product / ser. of sec



Entity shall ensure that following req. shall met



- Appointed a CS as a compliance officer.
- Appointed at least 2 qualified KMP with exp. of at least 3 yrs in the sec. market
- obtained a (SCORES) authenticatⁿ to address grievances.
- compliance with min. disclosure req. specified by SEBI.
- Ensure that its advertisement shall be in conformity with Advt. code.
- ensure that investor's grievances should be redressed within 30 days from the date of receipt of complaint
- It has comprehensive risk mgt framework

→ Entity undertake to establish appropriate safeguard and procedures to deal with exigencia

min Disclosure requirement

- Name of the issuer
- Name of the instrument
- seniority
- original mode of issue / date of issue
- Rating of the instrument
- Face value
- coupon
- Date of maturity
- Name of deb trustee
- yield
- offer docs
- Any other docs.

Electronic Book Provider [EBP] Mechanism:



SEBI introduced a framework for issuance of debt securities on private placement basis in primary market

1] <u>Eligible Participants</u> on the EBP platform.	→ @IB → Non-@IB [if authorised by the issuer]
2] <u>Issue of sec.</u> through EBP platform.	a) Single Issue - Min 50 cr. b) Shelf Issue (all the tranches) - Min 50 cr. in a FY c) Subseq. Issue - Min 50 cr. (Agg. of all pre. issue in a FY) → No Min issue size : Issue as per sch II of SEBI (NCS) Reg, 2021. → No Min issue size : Issue as per sch V of SEBI (NCS) Reg, 2021.
3] Issue - <u>Municipal debt, CP, CD</u>	→ EBP - <u>optional</u> .
4] If <u>Issue size</u> is less than 50 cr.	→ EBP - <u>optional</u>
5] <u>obligations of Issuer.</u>	→ comply with all requisite Law, Rules, Regulation with respect to Private Placement (Sec-42) Co-Act 2008 → Issuer. <u>PM / T.S.</u> → EBP. [2 days prior to issue op.] [1 st time at EBP : 5 days prior] → <u>PM and term sheet include -</u> • Details of size of the issue • Int. rate parameters. • op. & cl. date • Min bid lot • Manner of bidding in the issue • Manner of allotment, settlement PM - Placement Memo. TS - Term sheet → Issuer may disclose estimated cut off price → Details of allotment → to be provided on EBP

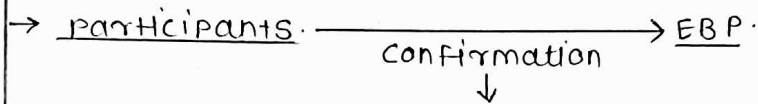
6] Participants.

- Participants shall be required to enroll with EBP, before entering into bidding process.
- one time registration.
- KYC verification and enrolment of elig. participants

	KYC	enrolment with EBP.
QIB	EBP	EBP
Non QIB (w/o A)	ISSUER.	EBP.
Non QIB (w-A)	ISSUER (A)	EBP (A)

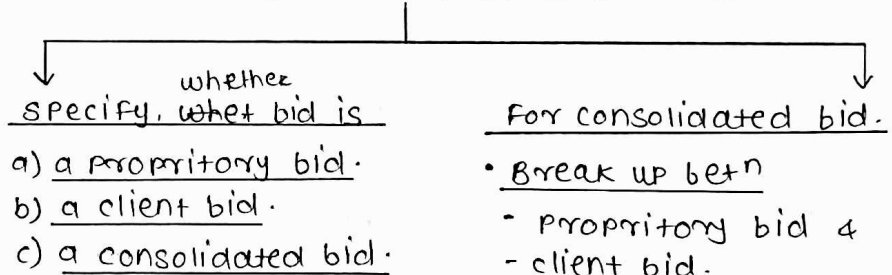
A = Arranger.

- EBP shall ensure that all Eligible parti. → access of PM/TS.



↓
Not using any software, algorithm or other automation tool which would give unfair access for PI bid.

- Participants (through arrangers) can not bid more than 100 cr or 5% of Base issue size [whichever is lower].
- For bids made by arranger for any particular issue, arranger shall disclose ↓ to EBP.

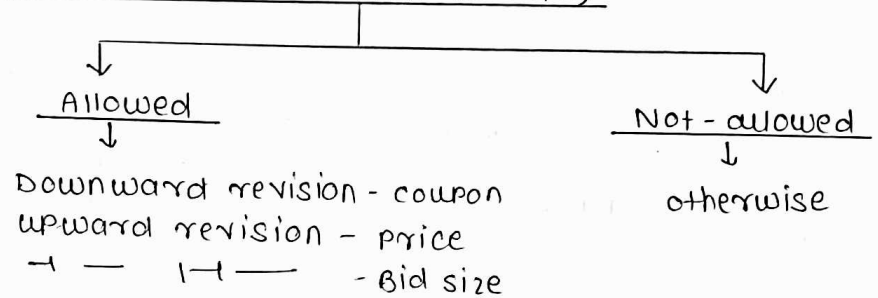


- For client bid:
- Name of participants
 - category of bid
 - quantum of bid

7] Bidding, allotment and settlement process

- Bidding Announcement on EBP → one day before the bidding process.
- Bidding shall be take place betⁿ 9 am to 5 pm [on working days]
- Bidding window shall be open for at least one hour.
- change in bidding time / date - 1 WD before bidding process [max 2 times]

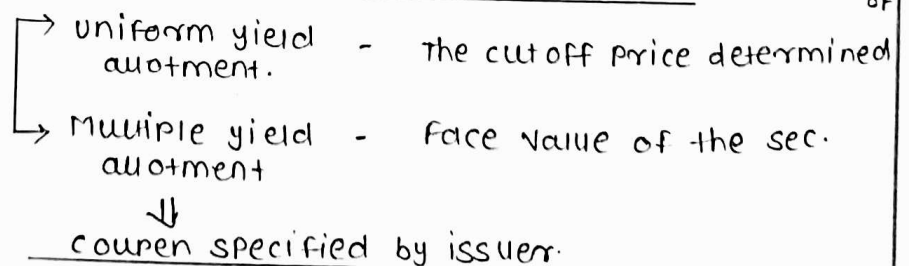
- Issuer can provide details of eligible participants to the EBP → 1 hr before the bidding start.
- Bidding announcement - Accompanied with op. and closing time
- Bidding process - shall be on an anonymous order driven system.
- Bid once placed can be modified / cancelled during the bidding period. (No cancelⁿ in last 10 min)
(Modification in last 10 min)



- Bid Place in system shall have audit trail
- Allotment will be based on.
 - price time priority ↗ Uniform - cutoff P.
 - yield time priority ↘ Multiple - based on pr.
- 2 or more bids have the same coupon / spread / price → allotment shall be done on pro-rata basis

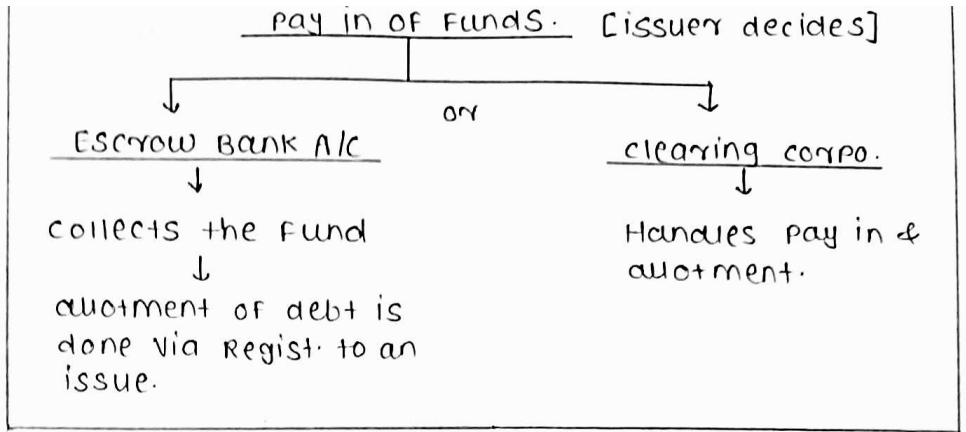
8] Anchor portion
within the base issue
size.

- Issuer will determine the anchor investor.
- The quantum shall be at the discretion of the issuer (Max 30% of base issue size).
- No Bidding for Anchor portion on EBP platform
- If issuer opts for anchor portion, the same shall be suitably disclosed in Placement Memorandum and Term sheet.
- Issuer shall disclose the details of the anchor inv. and corresponding quantum allocated + PM & TS
- The settlement amt. shall be determined on the basis^{of}

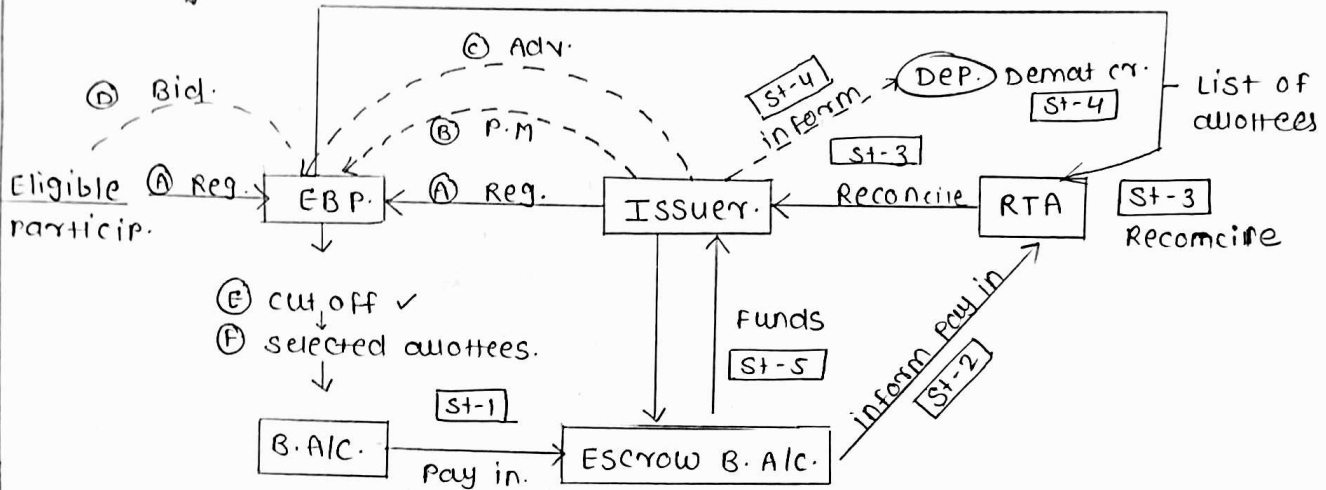


If coupon determined in → uniform / multiple
bidding process ↓
Face value of sec.

9] pay in obligations.



Process flow.



- In case Non fulfillment of pay in obligation ⇒ shall be debarred from accessing bidding platform for 30 days from default By allottees / Anchor investor
- In case Non fulfillment of pay in obligation ⇒ 7 days By arranger

10] withdrawal of offer by an issuer.

General withdrawal.

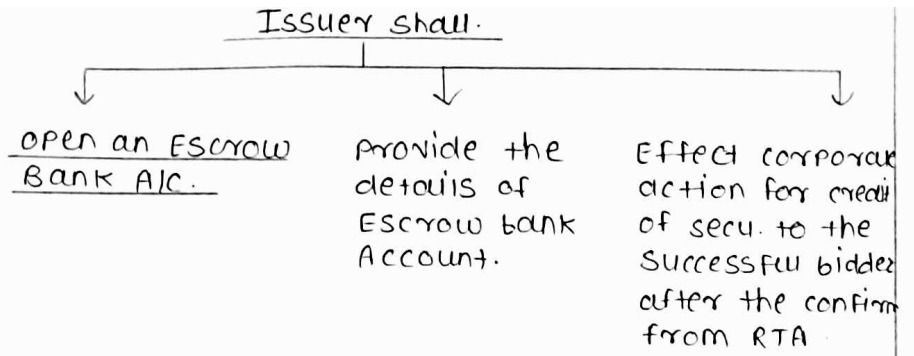
Issuer shall not access EBP platform for 7 days.

withdrawal due to

- Issuer is unable to receive bid.
- bidder has defaulted on payment towards the allotment.
- cut off yield > estimated cut off yield

→ No Restriction

11] Responsibilities of various entities involved in the process.



- RTA shall
- Undertake Reconciliation between info received from the Escrow Bank and EBP.
 - Issue instructions to the Escrow bank A/c for the release of funds,
 - intimate to the EBP, upon closure of the issue, status of the issue.

12] Obligations & Duties of EBP.

- Provide an online platform for placing bids.
- Have necessary infrastructure like adequate office space, equipment etc.
- Ensure that PM/TS and other issue related info is available → eligible participants.
- Have adequate backup, disaster management and recovery system
- EBP ensure that operational procedure is standardized across all EBP platforms and and the details regarding this are disclosed on their website.
- shall ensure co-ordination among themselves and also with depositories
- EBP shall be responsible for in addressing investor grievances, arising from bidding pro.

13] CISA Audit of EBP Platform-

⇒ once a year.

14] Electronic Book provi. are directed to :

- ⇒ comply with the condition laid down hereunder
- ⇒ put in place necessary system & infras. for implementation.

Benefits of EBP Mechanism

- Transparent Process for Price discovery
- Dissemination of bidding data
- Facility to do multiple bidding at diff. yields.
- Institutional investors can also participate on behalf of arrangers / sub arrangers.
- allotment data to be made available on website of the EBP website.

Request for Quote Platform (RFQ)

- RFQ is an electronic platform to enable sophisticated, multi-lateral negotiation to take place on a centralized online trading platform.
- It is a platform for interaction among the market participants who wish to negotiate transactions among themselves.
- This platform is a participant-to-participant model where an initiator may request other participants for a quote in corpo. bonds, secur. debt instrum, Municipal debt inst, Govt sec. etc.
- Prices are negotiated off line, bilaterally and reported / cleared on a DVP-1 (delivery vs payment - 1) basis.
- In Feb 2020, both NSE Ltd and BSE Ltd launched RFQ platforms after taking app. from SEBI as an extension of their existing trade execution & settlement platforms to bring transparency in "over the counter" deals which are negotiated bilaterally.

Basic Features of RFQ platform

- It is a system or interface for inviting or giving quotes on an electronic platform.
- A participant who seeks a quote is termed as an initiator and who responds termed as responder.
- Initiator has the option to place a quote by disclosing its name or anonymously.
- The quote can be placed to one-to-one or one-to-many.
- It provides the participants a range of options to seek and to respond to a quote while keeping an audit trail.
- bilaterally negotiated between counterparties.

Sec. eligible for being traded -

- Non convertible securities.
- Securitised Debt instrument
- Municipal Debt securities.
- Commercial Paper.
- Certificate of Deposit.
- Govt securities
- State development Loans
- Treasury bills.

Mandatory trades on RFQ platform

- To enhance liquidity on the RFQ platforms of the SE, SEBI has mandated registered MF, AIFs and portfolio mgmt services



To undertake specified percentage of their total secondary market trades in corpo. Bonds through RFQ platform of SE

Permitting stock brokers on RFQ

- SEBI has allowed stock brokers registered under the debt segment of the SE to place / seek bids on the RFQ platform on behalf of client, in addition to the existing option of placing bids in a proprietary capacity.