

RBI releases directions on The Electronic Trading Platforms 2018

This is with reference to Paragraph 9 of the Statement on Developmental and Regulatory Policies, Reserve Bank of India issued as part of the Fourth Bi-monthly Monetary Policy Statement for 2017-18 dated October 04, 2017, wherein it was stated that the Reserve Bank shall put in place a framework for authorization of electronic trading platforms (ETPs) for financial market instruments regulated by the Bank.

The draft ETP directions were released for public comments on October 12, 2017. Based on the feedback received the directions have been finalized. The Directions are as follows:

The Reserve Bank of India (herein after called 'the Reserve Bank') having considered it necessary in public interest and to regulate the financial system of the country to its advantage, in exercise of the powers conferred by section 45W of the Reserve Bank of India Act, 1934, (herein after called 'the Act') read with section 45U of the Act and of all the powers enabling it in this behalf, hereby issues the following Directions to the entities operating Electronic Trading Platforms (ETPs) to transact trade in eligible instruments.

Short title and commencement of the directions

- These directions shall be called 'The Electronic Trading Platforms (Reserve Bank) Directions, 2018'.
- These Directions are issued to the entities operating Electronic Trading Platforms (ETPs) to transact trade in eligible instruments under the Directions.
- They shall come into force with effect from October 05, 2018.

Definitions: For the purpose of these directions, unless the context otherwise requires:

- 'Algorithmic trading' or 'Algo trading' shall mean any trade originated by a software programme using automated execution logic.
- 'Approved' shall mean approved by the Reserve Bank, either in the authorisation document at the time of

authorisation or at any later point of time when conditions of authorisation are altered.

- Electronic Trading Platform (ETP) shall mean any electronic system, other than a recognised stock exchange, on which transactions in eligible instruments as defined in paragraph 2(iv) below are contracted.

(1) No entity shall operate an ETP without obtaining prior authorisation of the Reserve Bank under these directions. (2) ETPs existing and operating on or before the commencement of these directions shall make an application for authorisation within a period of six months from the date of issue of these directions. Notwithstanding anything contained in Para 3 (1) herein above, an existing ETP Operator may continue to carry on the operations till disposal of its application by the Reserve Bank granting or rejecting the letter of authorisation. (3) ETPs authorised by the Reserve Bank shall host transactions only in instruments approved by the Reserve Bank.

Electronic trading platforms operated by banks for their customers (acting as users) on a bilateral basis are exempt from the provisions of these Directions provided that such platforms do not extend direct or indirect access to market makers in any market for eligible instruments, which would include, for the purpose of foreign exchange transactions, authorized dealers.

Eligibility Criteria for authorization of ETPs: An entity seeking authorisation as an ETP operator to commence or carry on ETP operation shall fulfil the following criteria:

a. General Criteria:

- The entity shall be a company incorporated in India.
- The existing entities operating ETPs, without being incorporated in India, shall conform with the requirement of incorporation in India within a period of one year from the date of issue of authorisation of the ETP by the Reserve Bank under these directions.

b. Financial Criteria

- An entity seeking authorisation as an ETP operator under these Directions shall maintain a minimum net-worth of Rs.5 crore (Rupees five crore only) and shall continue to maintain the minimum net-worth prescribed herein at all times.
- The existing entities operating ETPs with a net-worth lower than the prescribed net-worth requirement shall achieve the minimum net-worth of Rs.5 crores (Rupees five crore only) within one year from the date of

authorisation by the Reserve Bank.

- Banks seeking authorisation to operate ETP shall earmark a minimum capital of Rs.5 crore (Rupees five crore only) for the purpose

c. **Technological Criteria:** The entity seeking authorisation as an ETP operator shall, at the minimum, fulfil the following technological requirements:

- Obtain and maintain robust technology infrastructure with a high degree of reliability, availability, scalability and security in respect of its systems, data and network, appropriate to support its operations and manage the associated risks.
- Ensure capability to disseminate trade information on a real-time basis or near real-time basis.

The eligibility criteria, prescribed in paragraph 5(1) (a) herein above, shall not apply to ETPs operated by Scheduled Commercial Banks.

Grant of Authorisation to operate ETP and cancellation of Authorisation

- Entities satisfying the eligibility criteria prescribed under these Directions may submit an application in the prescribed format given in Annex to the Chief General Manager, Financial Markets Regulation Department, Reserve Bank of India, 1st Floor, Main Building, Shaheed Bhagat Singh Marg, Mumbai – 400001, for grant of authorisation to operate an ETP.
- The Reserve Bank may call for any additional information or seek any clarification from the applicant which in the opinion of the Reserve Bank is relevant and the applicant shall furnish such additional information and clarification.

The detailed Discussion Paper on The Electronic Trading Platforms (Reserve Bank) Directions, 2018 is attached for your kind reference.

Please contact for any query related to this mail to Ms. Kritika Bhasin, Research Officer at kritika.bhasin@phdcci.in with a cc to Dr. S P Sharma, Chief Economist at spsharma@phdcci.in and Ms. Surbhi Sharma, Associate Economist at surbhi@phdcci.in, PHD Chamber of Commerce & Industry.

Warm regards,

Dr. S P Sharma
Chief Economist

PHD Chamber of Commerce and Industry
PHD House, 4/2 Siri Institutional Area
August Kranti Marg, New Delhi-110016
Ph.: + 91-11-26863801-04, 49545454
Fax: +91- 26855450, 49545451
Email: spsharma@phdcci.in
Website: www.phdcci.in



The banner features the ISO 9001:2015 logo on the left and the NABET logo on the right. The central text reads "Towards a Prosperous India" in a stylized font. Below this, the full name "PHD CHAMBER OF COMMERCE AND INDUSTRY" is displayed in bold. The contact information is provided in a smaller font: "PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India) • Tel. : +91-11-2686 3801-04, 49545454, 49545400 Fax : +91-11-2685 5450 • E-mail : phdcci@phdcci.in • Website : www.phdcci.in, CIN: U74899DL1951GAP001947". At the bottom, there are social media icons and handles for Twitter (@phdchamber), Facebook (@phdcci1900), Instagram (@phdcci), YouTube, and LinkedIn.

COPYRIGHT: All rights reserved. No part of this publication/Release may be reproduced, distributed, or transmitted in any form or by any means, without the prior written permission of the publisher. For permission requests, write to the publisher.

DISCLAIMER: This message and its attachments contain confidential information. If you are not the intended recipient, you are strictly prohibited to disclose, copy, distribute or take any action in reliance on the contents of this information. E-mail transmission cannot be guaranteed to be secure or error-free, as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this message, which arise as a result of e-mail transmission. If verification is required please request a hard-copy version.