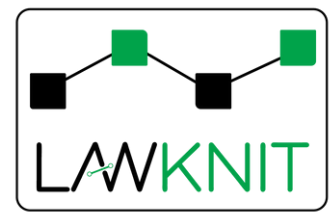


## ELECTRONIC TRADING PLATFORM- FX-INR TRANSACTIONS



May, 2024



### INTRODUCTION

Reserve Bank of India (“**RBI**”) has regularly issued caution against the facilitation of the foreign exchange transactions by any unauthorized Electronic Trading Platform (“**ETP**”) and has also issued draft ETP Directions.

This gives rise to the following quests:

- **What is ETP?** – ETP means an electronic system on which user can transact into instruments, such as securities, money market instruments, foreign exchange instruments, derivatives, or such other instruments as permitted by RBI.
- **Who can operate the ETP?** – ETP platform to be operated by an entity registered or authorized by the RBI.

An entity operating the ETP is regulated as per the Electronic Trading Platform Directions, 2018, however, RBI vide the release of draft Electronic Trading Platform Directions, 2024 (“draft ETP Directions”) has indicated that the existing framework will be replaced by the “draft ETP Directions”.

### PROPOSED CHANGES

#### 1 In-principle approval

An entity seeking RBI authorization would be required to first obtain the in-principle approval of the RBI and need to fulfil the criteria for authorization within the time period of 6 (six) months from the date of issuance of in - principle approval.

#### 2 Annual Report

Authorized ETP would be required to submit monthly and annual report and conduct the audit by the auditor empaneled by the Indian Computer Emergency Response Team “CERT-IN”.

3

## Offshore ETPs ("OETP")

As per draft ETP Directions, OETP is an entity incorporated offshore would need RBI authorisation. The OETP to comply with following:

- To be from Financial Action Task Force ("FATF") member country and member of Committee on Payments and Market Infrastructures ("CPMI") or International Organization of Securities Commissions ("IOSCO").
- Its transaction to be regulated by offshore regulator.
- To provide data and audit reports as required by RBI.
- Not to allow transactions between residents.

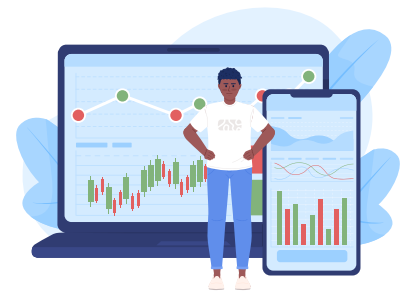
## ANALYSIS

- In past the RBI has been issuing caution on transacting over unauthorised trading platforms as it exposes Users to risks. Either ETP or RBI can provide a verifiable mechanism on which Users view the registration details of ETP before transacting.
- Draft ETP Directions proposes registration of OETP which does not requires them to incorporate an entity in India. This would provide ease of business for offshore platforms.
- An entity desirous of operating the electronic platform for facilitating the outward remittance services has to enter into a tie up arrangement with the Authorized Dealer (Category -I) Bank in India.

## RBI Comments Alert

1. RBI recently introduced the draft Electronic Trading Platform Directions, 2024.

2. Comments/feedback on the draft Directions are invited from the stakeholders to be sent on or before 31st May 2024.



In case of any queries/clarifications, please feel free to reach out to Mr. Arunabh Choudhary at [arunabh@lawknit.co](mailto:arunabh@lawknit.co); Mr. Amol Apte at [amol.apte@lawknit.co](mailto:amol.apte@lawknit.co); Ms. Tanvi Muraleedharan at [tanvi.muraleedharan@lawknit.co](mailto:tanvi.muraleedharan@lawknit.co); Ms. Renu Sirothiya at [renu.sirothiya@lawknit.co](mailto:renu.sirothiya@lawknit.co)

Disclaimer: This document has been made for generic information perspective and shall not be considered as legal advice. No one should act or advise to act on it without seeking proper legal advice. The document is for private circulation only.