

EMERGENCE OF ONLINE BOND PLATFORMS: NAVIGATING SEBI REGULATIONS

INTRODUCTION

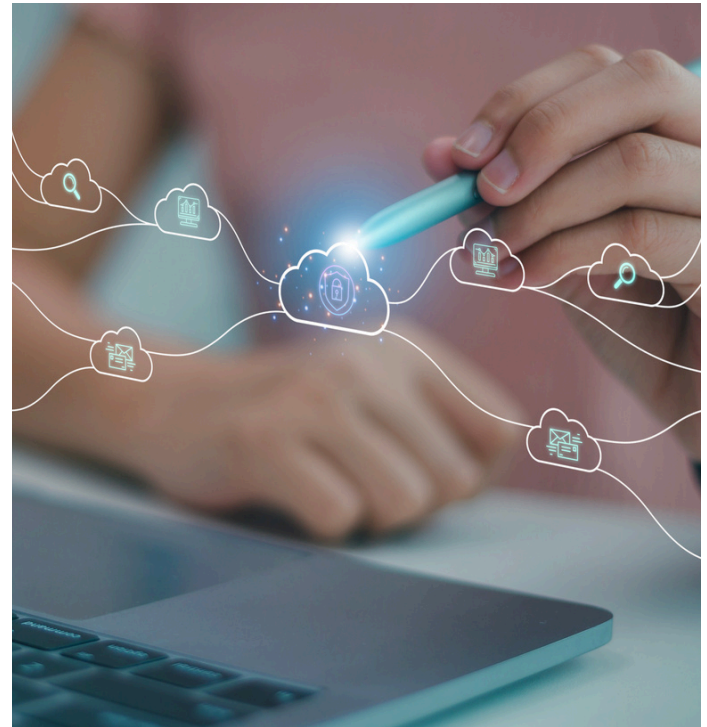
In recent times, the market has witnessed a rise in debt securities being offered through Online Bond Platforms Providers (**OBPPs**) to non-institutional investors. An unprecedented rise in the registered users/investors was noticed on such platforms which got regulated by SEBI in 2022, through 'Registration and regulatory framework for OBPPs'. In order to ensure effective governance, set industry standards and ensure healthy competition amongst the players, 'OBPP Association of India ("**Association**")' came into existence this year which recommended SEBI to allow automated updating of the securities database.

WHAT IS OBPP?

An OBPP is a kind of intermediary registered with SEBI that avails the facility of bonds transaction. They are usually fintech players who leverage technology in order to provide efficient and seamless bond transaction service to the non-institutional users/investors.

Essential Characteristics

- All the bond transaction and allied services are provided in electronic form only.
- The services availed on the platform shall be dealing with listed or to be listed debt securities through public offering/private placement.



HOW TO OBTAIN OBPP LICENSE?

- Any entity interested in applying for the license, shall ensure its incorporation in the Indian jurisdiction.
- The entity shall first seek registration and recognition as a 'Stock Broker' specifically in the debt segment of the bond market.
- Once it is recognized as a stock broker, it shall apply before any recognized stock exchange in India for the license of OBPP.

OTHER COMPLIANCES

Some of the key compliances that OBPPs shall abide by prior to applying before a recognized stock exchange for the license:

1

Appoint a company secretary as compliance officer and a minimum of 2 qualified KMP. The KMP has same meaning as under Companies Act, 2013 and qualification criteria has also been provided.

2

Obtain SEBI complaint Redress System (SCORES) authentication along with grievance redressal mechanism.

3

Enter into an agreement with the sellers of debt securities and ensure transparent registration of the users.

4

Comply with KYC and risk profiling while onboarding investors and sellers.

5

Ensure robust technology infrastructure with safeguards for data privacy and real-time issue of order receipts/deal sheets to investors/ quote receipts to sellers, etc.

6

Ensure compliance with minimum disclosure requirements and advertisement code per the circular.

LK ANALYSIS

- The OBPP is required to divest itself of offerings of other products or services or securities. Since the OBPP has obtained maturity in operations it should be allowed to have some other similar products on a separate business division basis.
- The OBPP has responsibilities in respect of investors and debt securities compliances and it should be covered under the agreement between Seller and OBPP.
- In this age of Platform economy its important now to create a separate class under the regulated intermediaries which should have some kind of safe harbor protection specially for platforms..

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