

DRAFT CIRCULAR FOR PUBLIC COMMENTS

Facilitation to SEBI registered Stock Brokers to access Negotiated Dealing System-Order Matching (NDS-OM) for trading in Government securities- Separate Business Units (SBU)

Background

Government of India wishes to facilitate retail participation in purchase and trading of Government Securities (G-Secs). Accordingly, it is proposed that stock brokers may deal in G-Secs in the Negotiated Dealing System-Order Matching (NDS-OM¹) of the competent regulatory authority.

1. In order to ensure ease of doing business and to leverage the existing infrastructure of the stock brokers, it is proposed that stock brokers may offer these services as a Separate Business Unit (SBU) of the stock broking entity itself on an arms-length basis.
2. All the matters relating to policy, risk management, administration, supervision, enforcement, investor grievance and claims related to trading in G-Secs on NDS-OM by stock brokers would come under the jurisdiction of the respective regulatory authority.

Public Comments:

Draft circular on “Facilitation to SEBI registered Stock Brokers to access Negotiated Dealing System-Order Matching (NDS-OM) for trading in Government securities” is placed at **Annexure A**. The comments/ suggestions should be submitted latest by October 25, 2024, through the following link: <https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

In case of any technical issue in submitting your comment through web based public comments form, you may write to consultationMIRSD@sebi.gov.in with the subject: "Public comments on Draft Circular – Facilitation to SEBI registered Stock Brokers to access Negotiated Dealing System-Order Matching (NDS-OM) for trading in Government securities - Separate Business Units (SBU)".

¹ NDS-OM is a screen based electronic anonymous order matching system for secondary market trading in Government securities (G-Secs) owned by RBI. Presently the membership of the system is open to entities like Banks, Primary Dealers, Insurance Companies, Mutual Funds etc. i.e entities who maintain SGL accounts with RBI. These are Primary Members (PM) of NDS and are permitted by RBI to become members of NDS-OM.

DRAFT CIRCULAR

SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2024/XXX

October XX, 2024

To,

All recognized Stock Exchanges

Stock Brokers through Recognized Stock Exchanges

Madam / Sir,

Sub: Facilitation to SEBI registered Stock Brokers to access Negotiated Dealing System-Order Matching (NDS-OM) for trading in Government securities- Separate Business Units (SBU)

1. In order to facilitate retail participation in Government Securities (G-Secs), it has been decided that SEBI registered stock brokers may participate in G-Secs market in the Negotiated Dealing System-Order Matching (NDS-OM) of the competent regulatory authority under a **Separate Business Unit (SBU)** of the stock broking entity itself.
2. The matters related to policy, eligibility criteria, risk management, investor grievances, inspection, enforcement, claims etc. for stock brokers to transact on NDS-OM would be specified under the regulatory framework issued by the respective regulatory authority and all activities of the business unit of stock broker facilitating trading on NDS-OM would be under the jurisdiction of that regulatory authority.
3. In pursuance of the above regulatory jurisdiction, to demarcate the regulatory obligations and to ring fence the activities of the stock brokers and its NDS-OM activities, some of the key safeguards are being prescribed as under:
 - 3.1 Stock brokers shall ensure that activities of the NDS-OM under a SBU are segregated and ring-fenced from the securities market related activities of the stock broker and arms-length relationship between these activities are maintained.
 - 3.2 Such SBU shall be exclusively engaged in activities of transacting on NDS-OM only.

- 3.3 Stock brokers shall prepare and maintain a separate account for the SBU on arms-length basis.
- 3.4 The net worth of the SBU shall be kept segregated from the net worth of the stock broker in the securities market. Net worth criteria for stock broker shall be satisfied after excluding account of the SBU.
4. As the activities of the SBU shall be under the jurisdiction of another regulatory authority, Grievance Redressal Mechanism and Investor Protection Fund (IPF) of the stock exchanges and SCORES shall not be available for investors availing the services of the SBU.
5. This circular is issued in exercise of powers conferred under Section 11(1) of Chapter IV of the Securities and Exchange Board of India Act, 1992, read with regulation 30 of the SEBI (Stock Brokers) Regulations 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.
6. This circular is available on SEBI website at www.sebi.gov.in under the category: 'Legal → Circulars'.