

Remote Trading Participants (RTPs) on Stock Exchanges in the IFSC

The advantage of a remote trading participant is that it can seamlessly place and execute orders on the stock exchange platform from its remote location. Internationally, many regulators and stock exchanges allow this type of participant. For example, Japan allows Remote Broker Members have no office in Japan and can execute proprietary transactions and overseas customer transactions.



CS Pradeep Ramakrishnan, FCS

Executive Director, IFSC
Gandhinagar, Gujarat
pradeep.ramakrishnan@ifsc.gov.in

INTRODUCTION

WHO IS A RTP?

A foreign entity, not having a physical presence in IFSC, that can trade directly on the Stock Exchanges, on a proprietary basis, without a Broker-Dealer are referred to as a Remote Trading Participant (RTP)¹. The advantage of a remote trading participant is that it can seamlessly place and execute orders on the stock exchange platform from its remote location. Internationally, many regulators and stock exchanges allow this type of participant. For example, Japan allows Remote Broker Members have no office in Japan and can execute proprietary transactions and overseas customer transactions².

WHY RTP?

IFSCA was in receipt of representations from market participants including Stock Exchanges, requesting direct participation by foreign institutions on the Stock Exchanges. It was suggested that this enabler is likely to increase the number of participants and make the secondary market more vibrant and liquid. Accordingly, it has been decided to permit foreign entities, not having a physical presence in IFSC, to trade directly on the Stock Exchanges, on a proprietary basis, without a Broker-Dealer. Such an entity shall be referred to as a Remote Trading Participant (RTP).

¹ <https://www.nseix.com/membership/RTP>

² <https://www.jpx.co.jp/english/rules-participants/participants/outline/index.html>

CONDITIONS FOR ONBOARDING A RTP:

1. IFSCA states that an entity shall be onboarded as RTP by the Stock Exchange only after the following conditions are satisfied³:
 - i. The entity is a resident of a country whose securities market regulator is a signatory to the International Organization of Securities Commission's Multilateral Memorandum of Understanding (IOSCO-MMoU) or a signatory to the bilateral Memorandum of Understanding (MoU) with IFSCA.
 - ii. The entity is currently a member of any of the following Stock Exchanges, or such other Stock Exchanges as may be specified by IFSCA, for at least a period of one year:

Sr No.	Country	Stock Exchange
1	United States of America (USA)	<ul style="list-style-type: none"> • New York Stock Exchange (NYSE), • National Association of Securities Dealers Automated Quotations (NASDAQ) • Chicago Mercantile Exchange (CME) • Intercontinental Exchange (ICE)
2	Japan	Tokyo Stock Exchange
3	South Korea	Korea Exchange
4	United Kingdom excluding British Overseas Territories	London Stock Exchange (LSE)
5	France	Euronext, Paris
6	Germany	<ul style="list-style-type: none"> • Frankfurt Stock Exchange • Eurex Exchange
7	Canada	Toronto Stock Exchange
8	Singapore	Singapore Exchange (SGX)
9	Taiwan	Taiwan Stock Exchange

³ <https://ifsc.gov.in/Legal/Index?Mid=sO4dQaG5dCs=>

The RTP shall be onboarded by the Stock Exchange in accordance with the IFSCA (Anti Money Laundering, Counter Terrorist-Financing and Know Your Customer) Guidelines, 2022. This is to protect against money laundering and to counter terrorist financing.



10	Israel	Tel Aviv Stock Exchange (TASE)
11	Australia	Australian Securities Exchange (ASX)
12	United Arab Emirates (UAE)	<ul style="list-style-type: none"> Abu Dhabi Securities Exchange (ADX) Dubai Gold & Commodities Exchange (DGCX) Dubai Financial Market NASDAQ, Dubai
13	Netherlands	Euronext Amsterdam

- iii. The entity is a body corporate;
- iv. The entity is not a resident of a country identified in the public statement of the Financial Action Task Force (FATF) as –
 - a) a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
 - b) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address deficiencies.
- v. The entity shall be permitted to trade only on a proprietary basis and shall not be permitted to onboard clients.
- vi. The entity shall be permitted to transact only in cash-settled derivative products on the Stock Exchanges.
- vii. The entity shall be required to enter into an agreement with an IFSCA registered Clearing Member for clearing and settlement of its transactions executed on the Stock Exchanges.

IS IT AVAILABLE FOR ENTITIES FROM INDIA?

No. IFSCA has clarified that an entity incorporated in India will not qualify to be onboarded by the Stock Exchanges as a RTP. It is available on the Stock Exchanges in the IFSC – the NSE IX and India INX⁴ Stock Exchanges that come under the purview of IFSCA.

⁴ <https://www.indiainx.com/circulars/20240611-4/20240611-4.pdf>

ONBOARDING OF A RTP – AML REQUIREMENTS

The RTP shall be onboarded by the Stock Exchange in accordance with the IFSCA (Anti Money Laundering, Counter Terrorist-Financing and Know Your Customer) Guidelines, 2022. This is to protect against money laundering and to counter terrorist financing.

RESPONSIBILITIES OF STOCK EXCHANGES FOR RTP ONBOARDING AND OPERATIONS

- The recognized Stock Exchanges in IFSC shall be responsible for specifying the terms and conditions for onboarding a RTP, inter alia including the risk management measures and code of conduct in relation to the RTP.
- The recognized Stock Exchanges shall have the operational flexibility to specify the net-worth criteria, security deposit, application fee, annual fee and any other additional conditions for onboarding a RTP. The Stock Exchanges shall ensure that the RTP is in compliance with the conditions as provided above in clause 2.
- The recognized Stock Exchanges shall take necessary steps to implement this Circular including amending their bye-laws, rules and regulations (if required).

CONCLUSION

The advantage of a RTP is that the participant can place trades in a different location without going through the process of incorporating an office in the location. This enabler of IFSCA is expected to:

- *increase the number of participants and make the secondary market more vibrant and liquid.*
- *eliminate the overhead and operational costs involved in setting up a new entity or a branch office in IFSC.*
- *boost the number of participants in the secondary market.*
- *improve the ease of doing business and attract more foreign investments.*

