

NOTICE

Dated :September 26, 2017

Trading Members are hereby informed that the Exchange has received a Circular from SEBI vide Ref. No. SEBI/HO/MIRSD/MIRSD1/CIR/P/2017/104, Dated September 21, 2017 regarding Integration of broking activities in Equity Markets and Commodity Derivatives Markets under single entity. The contents of the said circular are reproduced hereunder for information of trading members.

Quote : -

CIRCULAR

SEBI/HO/MIRSD/MIRSD1/CIR/P/2017/104

September 21, 2017

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- 1.All Recognized Stock Exchanges / Clearing Corporations
- 2.Stock Brokers and Clearing Members through Recognized Stock Exchanges
- 3.All recognised Depositories
- 4.Depository Participants through Depositories

Sub: Integration of broking activities in Equity Markets and Commodity Derivatives Markets under single entity.

Dear Sir/Madam,

1.Please find enclosed Government of India Gazette notification no. G.S.R. 64(E)dated June 27, 2017 amending the Securities Contracts (Regulation) Rules,1957 (hereinafter referred to as "SCRR") and Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Amendment) Regulations 2017 notified on July 13, 2017 (hereinafter referred to as "the Stock Broker Regulation").

2.Through these amendments, restriction on stock brokers dealing in securities(other than commodity derivatives) to deal in commodity derivatives has been done away with. Similarly, restriction on stock brokers dealing in commodity derivatives to deal in other securities has also been done away with. Therefore, post these amendments, a stock broker can deal in commodity derivatives and other securities under a single entity, thereby facilitating ease of doing business.

3.As per the existing procedure under single registration mechanism, a one- time certificate of registration as stock broker / clearing member shall be granted by SEBI and subsequent permissions to act as a stock broker / clearing member of other stock exchanges / clearing corporations, shall be granted by the respective stock exchange / clearing corporation after proper due diligence.

4. In terms of SEBI Circular Nos. CIR/MIRSD/2/2011 dated June 03, 2011 and CIR/MIRSD/14/2011 dated August 02, 2011, prior approval from SEBI will be required to be obtained by the stock broker only in cases where integration leads to change in control of the stock broker/clearing member.

5. Further, to facilitate integration between stock brokers, it is clarified that client account may be transferred from one stock broker to the other stock broker, by taking the express consent of the client through a verifiable mode of communication and thereby continuing with the existing set of documentation in respect of broker client relationship.

6. Para 6 of the SEBI Circular No.CIR/MIRSD/4/2015 dated September 29, 2015, issued to the Commodity derivative exchanges and their members, is extended to other stock exchanges and their members and shall be read as follows:

“business in goods related to the underlying” and/ or “business in connection with or incidental to or consequential to trades in commodity derivatives”, by a member of a stock exchange, would not be disqualified under Rule 8(1)(f) and Rule 8(3)(f) of the Securities Contract (Regulation) Rules, 1957.

7. In view of the above mentioned amendments carried out in SCRR and the Stock Broker Regulation, the FMC circulars which continued to be applicable to Commodity Derivative Market in terms of SEBI circular no. SEBI/HO/MIRSD/ MIRSD2 / CIR /P/2016/92 dated September 23, 2016, shall be dealt as under:

a. FMC Circulars No. No. IRD-DIV-III/I/FCR-I/2009 dated Dec 21, 2009, No. DIV-III/I/122/10/MR dated Jun 25, 2010 and 6/3/2008-MKT –II dated Feb 18, 2011, which restricted members of commodity derivative exchange or any other agent appointed by such members to have the words such as “Stock”, “Share” or “Security” in their names, shall stand repealed.

b. Para 3 C) A. iv. of FMC Circular No. FMC/4/2011/G/30 Ref. No.: Div. III/I/89/07 dated December 16, 2011, which restricted seeking authorization through non- mandatory documents for any adjustment of funds among securities (stock) exchange and commodities exchange, will not be applicable, if such adjustment is within the same broking entity.

8. Stock exchanges / clearing corporations / depositories are directed to:

a. take necessary steps to put in place systems for implementation of the circular, including necessary amendments to the relevant bye-laws, rules and regulations;

b. bring the provisions of this circular to the notice of their members and also disseminate the same on their websites;

c. carry out necessary due diligence including taking information from the other stock exchanges / clearing corporations where the applicant is / was a member, as part of process of granting approval to the stock broker/ clearing member registered with SEBI to operate in that stock exchange/ clearing corporation or segment(s) thereof.

9. This circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of and to regulate the securities market.

Yours faithfully,
D Rajesh Kumar
General Manager
022-26449242

Email: rajeshkd@sebi.gov.in Encl: As above

Unquote: -

Trading Members are requested to take note of the aforesaid guidelines of SEBI and act accordingly.

M.A.V. Raju
General Manager

