

Dated: 28th August, 2020

NOTICE

Trading Members are hereby informed that the Exchange has received a Circular from SEBI Vide Ref. No. SEBI/HO/IMD/DF1/CIR/P/2020/148, dated August 06, 2020 regarding Administration and Supervision of Investment Advisers. The contents of the said circular are reproduced hereunder for information of trading members.

Quote: -

CIRCULAR

SEBI/HO/IMD/DF1/CIR/P/2020/148

August 06, 2020

All Recognised Stock Exchanges

Sir / Madam

Subject: Administration and Supervision of Investment Advisers

1. SEBI, vide Circular SEBI/HO/MRD/DSA/CIR/P/2016/113 dated October 19, 2016, allowed registered Investment Advisers (IAs) to use infrastructure of the stock exchanges to purchase and redeem MF units directly from Asset Management Companies on behalf of their clients.

2. As per Regulation 14 of the SEBI (Investment Advisers) Regulations 2013 (hereinafter referred to as "IA Regulations"), SEBI can recognize any body/body corporate for the purpose of regulating IAs. It further provides that SEBI may, at the time of recognition of such body or body corporate, delegate administration and supervision of IAs to such body or body corporate on such terms and conditions as may be specified.

3. Further, the second proviso to Regulation 38 (2) of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 states, *inter alia*, that a recognized stock exchange may engage in activities, whether involving deployment of funds or otherwise that are unrelated or not incidental to its activity as a stock exchange, through a separate legal entity and subject to approval of the Board.

4. Considering the growing number of registered investment advisers and the above mentioned provisions, it is decided to recognize a wholly-owned subsidiary of the stock exchange (stock exchange subsidiary) to administer and supervise IAs registered with SEBI.

A. Criteria for grant of recognition- The recognition of stock exchange subsidiary, in terms of the aforesaid Regulation 14, shall be based on the eligibility of the parent entity, i.e. the stock exchange, for which the following eligibility criteria is laid down: i. Number of years of existence: Minimum 15 years

ii. Stock exchanges having a minimum networth of INR 200 crores

iii. Stock exchanges having nation-wide terminals

iv. Investor grievance redressal mechanism including Arbitration

v. Capacity for investor service management gauged through reach of Investor Service Centers (ISCs)- Stock exchanges having ISCs in at least 20 cities

B. Setting up of requisite systems by stock exchanges for the purpose-

i. The stock exchange shall either form a subsidiary or designate an existing subsidiary for the purpose of regulating IAs.

ii. The subsidiary shall include in its MoA, AoA and bye-laws, requisite provisions to fulfil the below mentioned responsibilities.

iii. The subsidiary shall put in place systems/process for grievance redressal, administrative action against IAs, governing IAs, maintaining data, sharing of information with SEBI etc.

iv. The subsidiary shall have the necessary infrastructure like adequate office space, equipment and manpower to effectively discharge the below mentioned activities. Infrastructure may be shared with other group entities where required.

C. Responsibilities of subsidiary of a stock exchange- The subsidiary of a stock exchange shall have following responsibilities:

i. Supervision of IAs including both on-site and offsite

ii. Grievance redressal of clients and IAs

iii. Administrative action including issuing warning and referring to SEBI for enforcement action

iv. Monitoring activities of IAs by obtaining periodical reports

v. Submission of periodical reports to SEBI

vi. Maintenance of database of IAs

5. The stock exchanges, fulfilling the criteria stated at para 4 (A) above, may submit the detailed proposal incorporating requisite systems stated at para 4 (B) and mechanism to discharge responsibilities, to SEBI within 30 days from the date of this circular.

6. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 14(2) of IA Regulations to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

7. The circular is available on SEBI website at www.sebi.gov.in under the categories "Info for – Investment Advisers" and "Legal framework - Circulars".

Yours faithfully,

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Unquote: -

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

Dhiraj Chakraborty
Compliance Officer