

6 Nov 2023

Securities and Exchange Board of India

Dear Sir/Madam,

Recommendation on Simplification, Ease of Compliance, and Reduction in Cost of Compliance for SEBI (Stock Brokers) Regulations, 1992

On behalf of the Asia Securities and Financial Markets Association (“ASIFMA”) ¹ [members](#), we are reaching out to engage with you on the simplification, ease of compliance, and reduction in cost of compliance for the Securities and Exchange Board of India (Stock Brokers) Regulations, 1992 [Last amended on February 07, 2023].

Our representations in this regard are provided in the **Annexure**.

We hope that you find our feedback useful and that it will be positively considered and reflected in the final framework.

Should you have any questions, please do not hesitate to contact Laurence Van der Loo at lvanderloo@asifma.org. In the meantime, we remain at your disposal if you wish to discuss any further details.

Best regards,



¹ ASIFMA is an independent, regional trade association with over 170 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative, and competitive Asian capital markets that are necessary to support the region's economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the United States and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region. More information about ASIFMA can be found at: www.asifma.org.

Laurence Van der Loo
 Managing Director, Technology & Operations
 Asia Securities Industry and Financial Markets Association (ASIFMA)

Name of the organisation: Asia Securities Industry & Financial Markets Association (ASIFMA)				
S/N	Name of Regulation	Regulation No. (paragraph)	Suggestion	Rationale
1	n/a	n/a	As a general comment, the industry suggests that SEBI can provide sufficient implementation time for future regulatory changes, where all relevant details are released with a forward-looking timeline for implementation (6 months to a year).	This allows entities to properly prepare and implement upcoming regulatory changes.
2	n/a	n/a	It is noted that, recently, many SEBI regulatory initiatives are aimed at safeguarding the funds and securities of investors from probable misuse by intermediaries, including brokers at large. Whilst these initiatives are laudable, we wish to seek clarification for those brokers or those trades of all brokers where the trades itself are settled by the custodians of the clients due to which there are no funds or securities with the brokers. We respectfully submit that in any regulatory proposal, to the extent the proposed measures are intended to safeguard retail investors interests, there should be clear differentiation	Institutional Brokers neither have access to funds nor securities of their clients and act in the capacity of an "Executing Broker" only. There are few exceptions e.g. (1) instances where the custodians of clients are not able to accept the trades mostly due to some operational reasons like trade instruction or funds instruction not flowing in time from the client to the custodian and (2) Errors on the part of these Brokers in which case the position is transferred to the Error account and squared off. In these exceptional situations, the trades devolve on the Institutional Broker and are settled by

			and clarification that the proposed measures should not, and need not, target institutional clients / clients whose trades are custody-settled.	the Institutional Broker with the Clearing Corporation directly. Client types served by Institutional brokers are usually high- volume players and measures already taken by SEBI around the aspects like surveillance, prevention of market abuse, best execution etc. remains more relevant.
3	The SEBI (Stock Brokers) Regulations, 1992	3(1)	"3. (1) No person shall act as a stock broker, unless he obtains a certificate of registration from the Board as a Stock Broker or as an Institutional Stock Broker	There are numerous reporting requirements for Stock Brokers which arise as a result of handling client funds and securities. As mentioned above, Institutional Stock Brokers do not handle client funds and securities as their clients have their own Custodians who settle the trades directly with the Clearing Corporations. Segregating the licence of Institutional Stock Broker will enable ease of compliance, doing business and reporting requirements for these Brokers
4	The SEBI (Stock Brokers) Regulations, 1992	3(2)	(2) An application for grant of a certificate of registration as a stock broker or as an Institutional Stock Broker shall be submitted to the Board in Form A of Schedule I through the stock exchange of which he is admitted as a member.	As above
5	Modification of Client Codes of Non-institutional Trades Executed on Stock Exchanges	CIR/DNPD/6/2011	We humbly suggest SEBI to treat both retail and institutional divisions differently with reference to client code modification as both retail and institutions cannot have similar	A large part of retail client transactions are inherently trades executed directly by investors/clients through mobile applications and online portals of brokers. Only a small part of the trade is routed through dealers, hence the

			parameters for client code modification and error trade booking.	chances of error are negligible when it comes to retail clients. However, institutional clients trade in large volumes, and these are predominantly executed by traders and involve a lot of manual intervention and human processes. Such large orders are received from various modes such as telephonic, Bloomberg chats, emails etc. In addition, dealers are required to handle multiple clients at a given point in time, hence, the execution process for institutional clients is far more complicated than the retail segment.
6	Guidelines for Net Settlement of Capital Market segment and Futures & Options (F&O) segment upon expiry of stock derivatives - Update <i>with reference to</i> Framework to Enable Verification of Upfront Collection of Margins from Clients in Cash and Derivatives segments	NCL/CMPT/45 627 <i>with reference to</i> SEBI/HO/MRD 2/DCAP/CIR/P /2020/127	Reporting can be stopped	Brokers are already submitting same details under Segregation and Monitoring of Collateral at Client Level; it is just duplicate reporting.
7	Issuance of Annual Global Statement	NSE/INSP/367 31	Statement can be stopped	Daily End of day Client statement / Weekly statement has already been sent so it is just duplicate of work.
8	Statement of Accounts for Funds, Securities and Commodities	NSEIL/LEGAL/ 3401	Statement can be stopped	Daily End of day Client statement / Weekly statement has already been sent so it is just duplicate of work.

9	n/a	SOR Reporting	SOR reporting can be stopped	Exchange already has SOR data which broker are just confirming on member portal.
10	Modification of Client Codes (All Segments) - Delivery versus Payment (DVP) Reporting	NSE/INVG/56755	Reporting can be stopped	Remove duplication of reporting. Exchange already has data from OTR reporting, Obligation reporting & FPI reporting.
11	The SEBI (Stock Brokers) Regulations, 1992	2(1)(ac)(i)(B)	Currently the change in control for this scenario is borrowed from Section 2(27) of Companies Act 2013. It goes as: (27) "control" shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.	There are detailed norms on "Dominant Promoter Group" ("DPG") issued by NSE and BSE. In the said norms, there are scenarios mentioned which would not constitute "change in control" and then there is a residual clause which says that any change which is not covered above is a change amounting to change in control. The suggestion is to align it with the DPG norms of Exchanges
12	The SEBI (Stock Brokers) Regulations, 1992	9(c)	9(c) Where the stock broker proposes change in control, he shall obtain prior approval of the Board by submitting application to all Stock Exchanges of which he is a Member , for continuing to act as such after the change;	To reflect the current practice
13	The SEBI (Stock Brokers) Regulations, 1992	9(h)	9(h) Every stock broker who acts as an underwriter shall enter into a valid agreement with the body corporate on whose behalf it is acting as underwriter and shall abide by the regulations made under the Act in respect of the activities carried on by it as underwriter.	Typo

14	The SEBI (Stock Brokers) Regulations, 1992	17(1A)	We would appreciate if SEBI could provide further clarity on "Execution Only Platforms".	To provide clarity to the industry on what is meant by "Execution Only Platforms" segment. This was inserted recently by an amendment carried out in Sep 2023.
15	The SEBI (Stock Brokers) Regulations, 1992	17(2)	17(2) Every stock broker shall intimate to the Board the place where the books of account, records and documents are maintained except where the same are being maintained digitally in accordance with any law in force.	This is to recognise the fact that as opposed to 1992, the books of accounts, records and documents are maintained in a digital form.
16	The SEBI (Stock Brokers) Regulations, 1992	17(3)	17 (3) Without prejudice to sub-regulation (1), every stock broker shall, after the close of each accounting period furnish to the Board or Stock Exchanges of which the Stock Broker is a Member or any other body as specified if so required as soon as possible but not later than six months from the close of the said period a copy of the audited balance sheet and profit and loss account as at the end of the said accounting period: Provided that, if it is not possible to furnish the above documents within the time specified, the Stock Broker shall keep the Board informed of the same together with the reasons for the delay and the period of time by which such documents would be furnished.	To reflect the current practice

17	The SEBI (Stock Brokers) Regulations, 1992	26(viii)	26(viii) Liabilities for Monetary Penalty (viii) Dealing in securities of a body corporate listed on any stock exchange on his own behalf or on behalf of any other person on the basis of any unpublished price sensitive information available with Stock Brokers and shared with the person on whose behalf the dealings were done.	If the UPSI is available only with the person on whose behalf and pursuant to whose orders the Stock Broker dealt in the securities as an agent, there is no way for the Stock Broker to know and prohibit such dealings. And hence the Stock Broker should not be subject to penalties for the same. As such, suggesting to limit the penalties to scenarios where Stock Broker has the UPSI, has communicated to client and has dealt in those securities.
18	The SEBI (Stock Brokers) Regulations, 1992	26(ix)	26 (ix) Procuring or communicating any unpublished price sensitive information except as required in the ordinary course of business or under any law for the time being in force.	Usual language for mentioning any law.
19	The SEBI (Stock Brokers) Regulations, 1992	27(xiii)	(xiii) Indulges in insider trading in violation of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015	PIT 1992 replaced with PIT 2015
20	The SEBI (Stock Brokers) Regulations, 1992	28(iv)	Same as above	Same as above