

**Deputy General Manager
Market Intermediaries Regulation
And Supervision Department**

MIRSD/ DR-1/ Cir- 16 /09
November 06, 2009

**The Managing Directors / Chief Executive Officers /
Executive Directors / Officiating Executive Directors
of all the Recognised Stock Exchanges**

Dear Sir/ Madam,

Sub: Market Access through Authorised Persons

1. Pursuant to the recommendations made by the Secondary Market Advisory Committee of SEBI and discussions with major stock exchanges and with a view to expand the reach of the markets for exchange traded products, it has been decided to allow SEBI registered stock brokers (including trading members) of stock exchanges to provide access to clients through authorised persons. The framework governing the market access through authorised persons is enclosed at **Annexure-1**. This framework provides the minimum requirements and the stock exchanges and stock brokers may prescribe additional requirements, as they may deem appropriate, in the interest of investors and market.
2. The stock exchanges are advised to make necessary amendments to the bye-laws, rules and regulations to implement the framework for market access through authorized persons.
3. This circular is issued in exercise of 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,

B. N. Sahoo
Encl: a.a.

Regulatory Framework for Market Access through Authorised Persons

1. Who is an “Authorised Person”?

Any person - individual, partnership firm, LLP or body corporate – who is appointed as such by a stock broker (including trading member) and who provides access to trading platform of a stock exchange as an agent of the stock broker.

2. Appointment of Authorised Person

A stock broker may appoint one or more authorised person(s) after obtaining specific prior approval from the stock exchange concerned for each such person. The approval as well as the appointment shall be for specific segment of the exchange.

3. Procedure for Appointment

- a) Stock broker shall select a person in compliance with the criteria laid down by the Exchange and this framework for appointment as an authorized person and forward the application of the person to stock exchange for approval.
- b) On receipt of the aforesaid application, the stock exchange
 - i. may accord approval on satisfying itself that the person is eligible for appointment as authorized person, or
 - ii. may refuse approval on satisfying itself that the person is not eligible for appointment as authorized person.

4. Eligibility Criteria

4.1 An individual is eligible to be appointed as authorised person if he:

- a) is a citizen of India;
- b) is not less than 18 years of age;
- c) has not been convicted of any offence involving fraud or dishonesty;
- d) has good reputation and character;
- e) has passed at least 10th standard or equivalent examination from an institution recognized by the Government; and
- f) has the certification, as applicable to approved user / sales personnel of the respective segment, and undertakes to continue to have valid certification thereafter.

(Stock Exchange shall prescribe appropriate certification if no such certification is prescribed under SEBI Regulations and monitor compliance.)

4.2 A partnership firm, LLP or a body corporate is eligible to be appointed as authorized person

- a) if all the partners or directors, as the case may be, comply with the requirements contained in clause 4.1 above.
- b) the object clause of the partnership deed or of the Memorandum of Association contains a clause permitting the person to deal in securities business.

4.3 The person shall have the necessary infrastructure like adequate office space, equipment and manpower to effectively discharge the activities on behalf of the stock broker.

5. Conditions of Appointment

The following are the conditions of appointment of an authorised person:

- a) The stock broker shall be responsible for all acts of omission and commission of the authorized person.
- b) All acts of omission and commission of the authorized person shall be deemed to be those of the stock broker.
- c) The authorized person shall not receive or pay any money or securities in its own name or account. All receipts and payments of securities and funds shall be in the name or account of stock broker.
- d) The authorised person shall receive his remuneration - fees, charges, commission, salary, etc. - for his services only from the stock broker and he shall not charge any amount from the clients.
- e) A person shall not be appointed as authorized person by more than one stock broker on the same stock exchange.
- f) A partner or director of an authorised person shall not be appointed as an authorised person on the same stock exchange.
- g) The stock broker and authorised person shall enter into written agreement(s) in the form(s) specified by Exchange. The agreement shall inter-alia cover scope of the activities, responsibilities, confidentiality of information, commission sharing, termination clause, etc.

6. Withdrawal of Approval

Approval given to an authorised person may be withdrawn by the stock exchange:

- a) on receipt of a request to that effect from the stock broker concerned or the authorised person, subject to compliance with the requirements prescribed by the stock exchange, or

- b) on being satisfied that the continuation of authorised person is detrimental to the interest of investors or securities market or the authorised person at a subsequent date becomes ineligible under clause 4 above.

7. Obligations of Stock Broker

- a) The stock broker shall be responsible for all acts of omission and commission of his authorised person(s) and/or their employees, including liabilities arising there from.
- b) If any trading terminal is provided by the stock broker to an authorised person, the place where such trading terminal is located shall be treated as branch office of the stock broker.
- c) Stock broker shall display at each branch office additional information such as particulars of authorised person in charge of that branch, time lines for dealing through authorised person, etc., as may be specified by the stock exchange.
- d) Stock broker shall notify changes, if any, in the authorised person to all registered clients of that branch at least thirty days before the change.
- e) Stock broker shall conduct periodic inspection of branches assigned to authorised persons and records of the operations carried out by them.
- f) The client shall be registered with stock broker only. The funds and securities of the clients shall be settled directly between stock broker and client and all documents like contract note, statement of funds and securities would be issued to client by stock broker. Authorised person may provide administrative assistance in procurement of documents and settlement, but shall not issue any document to client in its own name. No fund/securities of clients shall go to account of authorized person.
- g) On noticing irregularities, if any, in the operations of authorised person, stock broker shall seek withdrawal of approval, withhold all moneys due to authorised person till resolution of investor problems, alert investors in the location where authorised person operates, file a complaint with the police, and take all measures required to protect the interest of investors and market.

8. Obligations of Exchange

- a) The stock exchange shall maintain a database of all the authorised persons which shall include the following:
 - I. PAN Number of authorised person and in case of partnership or body corporate, PAN Number of all the partners or directors as the case may be.
 - II. Details of the broker with whom the authorised person is registered.
 - III. Locations of branch assigned to authorised person(s).
 - IV. Number of terminals and their details, given to each authorised person.

- V. Withdrawal of approval of authorised person.
- VI. Change in status or constitution of authorised person.
- VII. Disciplinary action taken by the Exchange against the authorised person.

All the above details, except I above, shall be made available on web site of the stock exchange.

- b)** While conducting the inspection of the stock broker, the stock exchange shall also conduct inspection of branches where the terminals of authorised persons are located and records of the operations carried out by them.
- c)** Dispute between a client and an authorised person shall be treated as dispute between the client and the stock broker and the same shall be redressed by the stock exchange accordingly.
- d)** In case of withdrawal of approval of authorised person due to disciplinary action, the stock exchange shall issue a press release and disseminate the names of such authorised persons on its website citing the reason for cancellation.

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