

Regulatory Alert: Demat/FPIs/MIIIs/Nomination/OFS

June 2024 – Vol - I

1. Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account

SEBI has provided guidelines to enhance operational efficiency and reduce risks by mandating the direct pay-out of securities to clients' Demat accounts. This measure aims to protect clients' securities and ensure that stock brokers segregate clients' securities to prevent misuse. Previously, direct payouts to client accounts were facilitated on a voluntary basis, but this is now mandatory. For more details, [click here](#).

2. Disclosures of Material Changes and Other Obligations for Foreign Portfolio Investors

SEBI has partially amended the SEBI FPIs Regulations (2019), to relax the timelines for disclosure of material changes/events and other obligations by the FPIs. For more details, [click here](#).

3. Framework for providing flexibility to Foreign Portfolio Investors in dealing with their securities post expiry of their registration

SEBI has partially modified the framework providing Foreign Portfolio Investors (FPIs) a greater flexibility in managing their securities after their registration has expired. The modifications focus on guidelines concerning the continuance of registration, reclassification and change in status of complaint jurisdiction. Further, it also covers certain additions in the guidelines regarding 'Dealing with securities that may be held by FPIs after expiry of their registration and/or elapse of the time-period for disposal of securities', 'Dealing with securities written-off by the FPIs/Deemed to have been written-off by the FPIs' etc. For more details, [click here](#).

4. Framework of "Financial Disincentives for Surveillance Related Lapses" at Market Infrastructure Institutions

With the purpose to bolster market surveillance and protect investors' interest, SEBI has prescribed a framework detailing Financial Disincentives for Surveillance Related Lapses (FDSRL) at Market Infrastructure Institutions (MIIs). Financial penalties will be imposed for lapses, ensuring that MIIs remain vigilant and accountable for monitoring trading activities effectively. The disincentives will be determined on the basis of total annual revenue of the MII, as an indicator of the size and impact of the MII on the market ecosystem, during the previous Financial Year as per the latest audited consolidated annual financial statement and the number of instances of Surveillance Related Lapses during the Financial Year. For more details, [click here](#).

5. Ease of Doing Investments- Non-submission of 'Choice of Nomination'

SEBI has decided that after June 30, 2024, the non-submission of 'choice of nomination' for demat accounts and mutual fund folios will not lead to account freezing for existing investors and unitholders. Security holders with physical securities can still receive payments like dividends, interest, or redemption payments, and can lodge grievances or request services from the RTA even without submitting a 'choice of nomination'. However, the 'choice of nomination' remains mandatory for new investors and unitholders. For more details, [click here](#).

6. Modification in Framework for Offer for Sale (OFS) of Shares to Employees through Stock Exchange Mechanism

SEBI has modified the procedure for offering of shares to the employees in OFS through stock exchanges. As modified, the employees are supposed to place bids only at cut-off price of T day and the allotment price will be based on the Cut-off of the T day, subject to discount, if any. For more details, [click here](#).

The above Regulatory alerts may be relevant for the individuals with the following NISM Certifications:

- NISM-Series-II-A: Registrar and Transfer Agent (Corporate) Certification Examination
- NISM-Series-II-B: Registrars to an Issue and Share Transfer Agents – Mutual Fund Certification Examination
- NISM-Series-III-A: Securities Intermediaries Compliance (Non-Fund) Certification Examination
- NISM-Series-V-A: Mutual Fund Distributors Certification Examination
- NISM-Series-V-B: Mutual Fund Foundation Certification Examination
- NISM-Series-VI: Depository Operations Certification Examination
- NISM-Series-VII: Securities Operations and Risk Management Certification Examination
- NISM Series-XII: Securities Markets Foundation