

Regulatory Alert: MIIs/IAs/RAs/RTAs/FVCIs/MFs/RTAs/DPs

September 2024 – Vol - I

1. Modifications in Guidelines pertaining to Business Continuity Plan (BCP) and Disaster Recovery (DR) of Market Infrastructure Institutions (MIIs), valuation framework of investment portfolio of AIFs and payment of “Financial Disincentives” by MIIs

SEBI has partially modified guidelines pertaining to the Business Continuity Plan (BCP) and Disaster Recovery (DR) of Market Infrastructure Institutions (MIIs) for entities like Depositories (SEBI Master Circular dated October 06, 2023) indicating that apart from DRS, all MIIs including Depositories shall also have a Near Site (NS) to ensure zero data loss. For more details, [click here](#).

Similarly, SEBI has also modified directives pertaining to the framework for valuation of investment portfolio of AIFs. For details, [click here](#)

Furthermore, SEBI has modified guidelines for Ease of Doing Business in the context of Standard Operating Procedure for payment of “Financial Disincentives” by Market Infrastructure Institutions (MIIs) as a result of Technical Glitch. For more details, [click here](#).

2. Optional mechanism for fee collection by SEBI registered Investment Advisers (IAs) and Research Analysts (RAs)

In order to provide a closed and transparent payment ecosystem for an investor to discern whether payment of fees is being made only to a registered IA/RA and to facilitate collection of fees by IAs/RAs from their clients, SEBI is operationalising an optional ‘Centralized Fee Collection Mechanism for IA and RA’ (CeFCoM). Using this mechanism, the clients will pay fees to IAs/RAs, through a designated platform/portal administered by recognized Administration and Supervisory Body (ASB). For more details, [click here](#).

3. Reporting by Foreign Venture Capital Investors (FVCIs)

SEBI has revised the format for submission of the quarterly report on venture capital activity by FVCIs. Such quarterly report shall be submitted irrespective of the fact that any investment is made or not during that quarter. For more details, [Click here](#).

4. Enabling T+2 trading of Bonus shares where T is the record date

SEBI has reduced the time required for the credit of bonus shares and the commencement of trading of such shares from the record date of the bonus issue, as per SEBI (ICDR) Regulations, 2018. For its implementation, SEBI has outlined the operational procedure. Among the operational directives, it is stated that the issuer proposing a bonus issue must apply for in-principle approval under Regulation 28(1) of SEBI (LODR)

Regulations, 2015, to the stock exchange within five working days from the date of the board meeting approving the bonus issue. For more details, [Click here](#).

5. Flexibility in participation of Mutual Funds in Credit Default Swaps (CDS)

SEBI allowed greater flexibility to Mutual Funds to buy and sell CDS with adequate risk management serving as an additional investment product for Mutual Funds and also aid in increasing liquidity in the corporate bond market. For more details, [Click here](#).

6. Usage of UPI by individual investors for making an application in public issue of securities through intermediaries

SEBI has directed that all individual investors applying in public issues of specified securities, such as debt securities and non-convertible redeemable preference shares (opening on or after November 1, 2024), through intermediaries (e.g., syndicate members, registered stock brokers, registrars to an issue and transfer agents, and depository participants) must use UPI for blocking funds, if the application amount is up to Rs. 5 lakhs. Investors must provide their bank account-linked UPI ID in the bid-cum-application form submitted with the intermediaries. For more details, [click here](#).

7. Parameters for Performance Evaluation of Market Infrastructure Institutions (MIIs)

SEBI has outlined a broad framework with basic minimum criteria and corresponding weightages for the independent external evaluation of the performance of Market Infrastructure Institutions (MIIs). Additionally, it describes the rating framework, principles for the appointment of an independent external agency, timelines for external evaluation, and performance evaluation metrics for key management personnel (KMPs), including the managing director (MD). 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-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-IX: Merchant Banking Certification Examination
- NISM-Series X-A: Investment Advisers (Level 1)
- NISM-Series-X-B: Investment Advisers (Level 2)
- NISM Series-XV: Research Analyst

- NISM Series XIX-A: Alternative Investment Funds (Category I and II) Distributors
- NISM Series XIX-B: Alternative Investment Funds (Category III) Distributors
- NISM Series XIX-C: Alternative Investment Fund Managers