

Regulatory Alert: TBs/MIIIs/IFSCs/SBs/DPs/CRAs/MFs/AIFs/BSE

July 2024 – Vol - I

1. Same Day Investment of NPS contributions

In past, the NPS contributions received by the Trustee Bank (TB) were invested on the next settlement day (T+1). Now, PFRDA has decided that the contributions received by TB's till 11 AM (T) on any settlement day will be considered for same-day investment and Contributions received by TB after 11 AM will be invested on the next day (T+1), which will be effective from 1st July 2024. For more details, [click here](#).

2. Statutory Committees at Market Infrastructure Institutions (MIIs)

To ensure effective oversight of the functioning of Stock Exchanges, Clearing Corporations, and Depositories, SEBI has advised MIIs to establish various statutory committees. These include Functional Committees, comprising a Member Committee (MC) and a Nomination and Remuneration Committee (NRC). Additionally, there are Oversight Committees, which consist of the Standing Committee on Technology (SCOT), the Regulatory Oversight Committee (ROC), and the Risk Management Committee (RMC). Also, formation of an Investment Committee is advised. For more details, [click here](#).

3. Participation by Non-Resident Indians (NRIs), Overseas Citizens of India (OCIs) and Resident Indian (RI) individuals in SEBI registered Foreign Portfolio Investors (FPIs) based in International Financial Services Centres in India

SEBI has amended the SEBI FPI Regulations, 2019. The modification has been done to provide flexibility of having up to hundred percent aggregate contribution by NRIs, OCIs and RI individuals in the corpus of FPIs based in International Financial Services Centres ("IFSCs") in India. For more details, [click here](#).

4. Facility for Basic Services Demat Account (BSDA) for Financial Inclusion and Ease of Investing

SEBI has revised the facility for the Basic Services Demat Account (BSDA) to boost participation in the securities market and simplify investments. The revisions include updated eligibility criteria for BSDA, guidelines for opening BSDAs and converting existing eligible demat accounts into BSDAs, and a review of the charges and services for BSDAs. For more details, [click here](#).

5. Charges levied by Market Infrastructure Institutions

SEBI has directed MIIs to comply with additional principles when designing processes for charges levied on their members (i.e., stock brokers, depository participants, clearing members) to be recovered from end clients. The charges must be "True to Label, uniform and equal" for all members, instead of slab-wise viz. dependent on volume/activity of members. Additionally, the new charge structure should consider the existing per-unit charges realized by MIIs to ensure end clients benefit from reduced charges. For more details, [click here](#).

6. Dispatch of Consolidated Account Statement (CAS) for all securities assets

SEBI has set email as default mode of dispatch for Consolidated Account Statement (CAS) by Depositories, Mutual Fund – Registrar and Transfer Agents (MF-RTAs) and holding statement by Depositories Participant (DP). For more details, [click here](#).

7. Reduction in denomination of debt securities and non-convertible redeemable preference shares

SEBI has modified the certain provisions pertaining to denomination of issuance and trading of non-convertible securities, to encourage more non-institutional investors to participate in the corporate bond market to enhance liquidity. For more details, [click here](#).

8. Measures to instil confidence in securities market - Brokers' institutional mechanism

For the prevention and detection of fraud or market abuse, SEBI has put in place an institutional mechanism for stock brokers. The stock brokers are required to comply with the mechanism as laid in the Stock Brokers Amendment Regulation, 2024. It is related to systems for surveillance of trading activities and internal controls, obligations of the stock broker and its employees, escalation and reporting mechanisms and a Whistle Blower Policy. For more details, [click here](#).

9. Modification to Enhanced Supervision of Stock Brokers and Depository Participants

SEBI has modified the timelines for submission of annual audited accounts/net worth certificate by Stock Brokers/ Depository Participants as part of monitoring criteria from September 30th of the relevant year to October 31st of the relevant year. For more details, [click here](#).

10. Measures for Ease of Doing Business for Credit Rating Agencies (CRAs) – Timelines and Disclosures

SEBI has partially modified the Master circular dated May 16, 2024 pertaining to the timeline to be followed by CRAs for dissemination of Press Release on CRA's website and intimation of the same to Stock Exchanges/Debt Trustees, pursuant to rating committee meeting in respect of periodic surveillance of ratings. For instance, Communication of the rating to the issuer shall be made in 1 working day* of the Rating Committee meeting. For more details, [click here](#).

11. Ease of doing business - Streamlining of prudential norm for passive schemes regarding exposure to securities of group companies of the sponsor of Mutual Funds

To streamline the existing prudential norms for investments by passively managed Mutual Fund schemes in the group companies of their sponsors, SEBI has amended the MF Regulations. It mandates that no Mutual Fund scheme will invest in the listed securities of sponsor's group companies which is in excess of 25 per cent of the net assets of the scheme, except for investments by equity-oriented exchange traded funds (ETFs) and Index Funds which are subject to conditions as may be specified by SEBI. For more details, [click here](#).

12. Information to be filed by schemes of AIFs availing dissolution period/additional liquidation period and conditions for in-specie distribution of assets of AIFs

SEBI has specified that the information memorandum for a scheme of an AIF entering into dissolution period needs to be submitted to SEBI before expiry of the liquidation period or

additional liquidation period of the scheme, as the case may be. The submission shall be made through a merchant banker and in the SEBI prescribed formats. For more details, [click here](#).

13. Recognition of BSE Limited as Research Analyst Administration and Supervisory Body (RAASB) and Investment Adviser Administration and Supervisory Body (IAASB)

Pertaining to the administration and supervision of the Research Analyst Administration and Supervisory Body (RAASB) and the Investment Adviser Administration and Supervisory Body (IAASB), SEBI has recognized BSE Ltd. The recognized entity is required to formulate bye-laws for its activities as RAASB and IAASB. It shall issue circulars, Standard Operating Procedures (SOPs), Frequently Asked Questions (FAQs), etc., to provide guidance and ensure the smooth adoption of the RAASB and IAASB framework by Research Analysts (RAs) and Investment Advisers (IAs). For more details, [click here](#).

14. Enabling Credit Rating Agencies (CRAs) to undertake rating activities under IFSCA

SEBI has specified that ratings undertaken by a CRA under IFSCA guidelines must fall under the purview of IFSCA. Consequently, any issues arising from the activities of such SEBI-registered CRAs in the IFSC will be addressed by IFSCA under the powers granted by Sections 12 and 13 of the IFSCA Act, along with related regulations and instructions. Additionally, IFSCA will handle complaints, enforcement actions, and provide information to third parties, including statutory or judicial bodies, regarding the services provided by the CRAs in the IFSC. For more details, [click here](#).

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

- 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-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 Certification Examination
- NISM-Series-XVII: Retirement Adviser Certification Examination
- 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