

CIRCULAR

SEBI/HO/MRD/POD-III/CIR/2023/165

October 06, 2023

To,

All Recognized Stock Exchanges

Sir / Ma'am,

Sub: Requirement of Base Minimum Capital Deposit for Category 2 Execution Only Platforms

1. SEBI vide circular No.SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/86 dated June 13, 2023 had prescribed the regulatory framework for Execution Only Platforms (EOP) for facilitating transactions in direct plans of schemes of Mutual Funds through their technology or digital platforms. An EOP for facilitating transactions in direct plans of schemes of Mutual Funds, means any digital or online platform which facilitates transactions such as subscription, redemption and switch transactions in direct plans of schemes of Mutual Funds.
2. Any entity desirous of operating as an EOP can obtain registration under one of the following two categories:
 - a. Category 1 EOP: Entities desirous of operating as Category 1 EOP are required to obtain registration from AMFI and shall act as an agent of AMC(s) and can provide service to investors and other intermediaries. Category 1 EOPs shall follow the guidelines specified by AMFI in consultation with SEBI. Category 1 EOPs are not required to maintain any deposit with AMFI for operating as an EOP.
 - b. Category 2 EOP: Category 2 EOPs are required to obtain registration as a Stock Broker in terms of SEBI (Stock Brokers) Regulations, 1992 under the EOP segment of Stock Exchanges. Category 2 EOPs shall operate as an agent of investor and provide services to investors directly and shall not act as an aggregator of the transactions in direct plans of schemes of Mutual Funds. They shall follow various requirements applicable to stock brokers, including maintenance of deposit with the stock exchange.

3. SEBI vide Circulars No. SMD/SED/RCG/270/96 dated January 19, 1996, No. MRD/DoP/SE/Cir-07/2005 dated February 23, 2005 and No. CIR/MRD/DRMNP/36/2012 dated December 19, 2012 had prescribed the requirement of Base Minimum Capital (BMC) deposit for stock brokers trading on stock exchange. BMC is the deposit given by the member of the stock exchange against which no exposure for trades is allowed.
4. In this regard, it has been decided that the members of stock exchanges functioning only in EOP segment (Category 2 EOP) shall maintain a sum of Rs. 10 Lakhs with the stock exchange as BMC deposit. However, for members having registration of more than one segment on the same stock exchange, the BMC deposit requirement shall not be additive for such number of segments and shall be the highest applicable BMC deposit, across various segments.
5. The SEBI circulars specified at paragraph 3 above, stand modified suitably. All other relevant provisions with respect to BMC Deposit shall continue to remain applicable.
6. The provisions of this circular shall be implemented immediately.
7. Stock exchanges are directed to:
 - a. take necessary steps and put in place necessary systems for the implementation of the above;
 - b. make necessary amendments to the relevant bye-laws, rules and regulations, wherever applicable, for the implementation of the above; and
 - c. bring the provisions of this circular to the notice of market participants (including investors) and also disseminate the same on their website.
8. This circular is being 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.
9. This Circular is available on SEBI website at www.sebi.gov.in .

Yours faithfully,

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