

May 02, 2024

All Registered Investment Advisers

All Registered Research Analysts

All Recognised Stock Exchanges

Dear Sir/Madam,

**Subject: Framework for administration and supervision of Research Analysts
and Investment Advisers**

Background

1. In terms of Regulation 38A of the 'SECC Regulations'¹ notified on April 26, 2024, a recognised Stock Exchange may undertake the activities of administration and supervision over specified intermediaries on such terms and conditions and to such an extent as may be specified. Accordingly, Stock Exchange shall now be recognised as RAASB² and IAASB³ under Regulation 14 of the 'RA Regulations'⁴ and 'IA Regulations'⁵ for administration and supervision of Research Analysts ('RAs') and Investment Advisers ('IAs') respectively. The detailed framework for RAASB and IAASB is specified in **Annexure I**.
2. As per clause (xi) of Regulation 6 of RA Regulations and clause (n) of Regulation 6 of IA Regulations, an applicant seeking registration as RA and IA is required to be enlisted with RAASB and IAASB respectively. The provisions governing enlistment including enlistment of existing RAs/IAs and of applicants whose registration applications are under process as on the effective date of this circular are specified in the enclosed framework.

¹ SECC Regulations- Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018

² RAASB- Research Analyst Administration and Supervisory Body

³ IAASB- Investment Adviser Administration and Supervisory Body

⁴ RA Regulations- SEBI (Research Analysts) Regulations, 2014

⁵ IA Regulations- SEBI (Investment Advisers) Regulations, 2013

Repeal and Savings with respect to the erstwhile IAASB framework

3. From the effective date of this circular, the existing framework for administration and supervision of IAs as specified through SEBI circular number SEBI/HO/IMD/IMD-I/DOF1/P/CIR/2021/579 dated June 18, 2021 and subsequently incorporated under the head “Administration and Supervision of Investment Advisers” of Master Circular for Investment Advisers numbered SEBI/HO/MIRSD-PoD-2/P/CIR/2023/89 dated June 15, 2023 stands rescinded.
4. In terms of regulation 30A of IA Regulations, notwithstanding the aforesaid rescission, any action taken or purported to have been taken or any action that may be taken against any person in relation to the membership of IAASB recognised under regulation 14 of IA Regulations, as applicable in the rescinded framework of IAASB, shall be deemed to have been done or taken or may be taken under the corresponding provisions of the amended IA Regulations.

Operationalization of RAASB and IAASB framework

5. Based on fulfillment of the criteria specified in Annexure I to this circular, a stock exchange shall be granted recognition as RAASB and IAASB. To begin with, in order to ensure efficiency in the system and economies of scale, RAASB and IAASB shall be one and the same stock exchange.

Timeline for implementation

6. This circular shall become effective on July 25, 2024 (ninetieth day from the date of publication in the Official Gazette of the amendments to RA Regulations made vide the SEBI (Research Analysts) (Amendment) Regulations, 2024 and the amendments to IA Regulations made vide the SEBI (Investment Advisers) (Amendment) Regulations, 2024).
7. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with regulation 14 of RA Regulations and IA Regulations to protect the interests of investors in securities market and to promote the development of, and to regulate the securities market.

8. This circular is available on SEBI website at www.sebi.gov.in under the categories "Legal > Circulars", "Info For > Investment Advisers" and "Info For > Research Analysts".

Yours faithfully,

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Annexure I – Detailed framework for RAASB and IAASB

Annexure I

Detailed framework for RAASB and IAASB

1. Criteria for grant of recognition as RAASB and IAASB:

1.1. The recognition of a recognised stock exchange as RAASB and IAASB under regulation 14 of RA Regulations and IA Regulations respectively shall be based on the following eligibility criteria:

- (i) Minimum number of years of existence as recognised stock exchange: 15 years;
- (ii) Minimum net worth of recognised stock exchange: INR 200 crores;
- (iii) Stock exchange having nation-wide terminals;
- (iv) Investor grievance redressal mechanism including Online Dispute Resolution Mechanism;
- (v) Capacity for investor service management gauged through reach of Investor Service Centers (ISCs): Stock exchange having ISCs in at least 20 cities.

2. Setting up of requisite systems by stock exchange recognised as RAASB/ IAASB:

2.1. The stock exchange recognised as RAASB/IAASB shall include in its Memorandum of Association, Articles of Association and bye-laws, requisite provisions to fulfil the role and responsibilities specified in para 3 below.

2.2. The stock exchange recognised as RAASB/IAASB shall maintain necessary infrastructure like adequate office space, equipment and manpower to effectively discharge the responsibilities of RAASB/ IAASB. Infrastructure may be shared with other group entities where required.

2.3. The stock exchange recognised as RAASB/IAASB shall put in place systems/ processes for maintaining database of RAs/IAs, sharing of information with SEBI and discharging the responsibilities of RAASB/ IAASB.

2.4. RAASB and IAASB shall constitute an internal committee to oversee the activities of administration and supervision of RAs and IAs. The committee

shall periodically review the performance of the stock exchange as RAASB/ IAASB and make recommendations to SEBI. The constitution of the committee shall be as follows:

- (i) Public Interest Directors shall form the majority of the committee;
- (ii) A maximum of two key management personnel of the stock exchange can be on the committee;
- (iii) The committee shall also include independent external persons representing RAs, IAs and proxy advisors, with minimum one representative for each segment.

3. Responsibilities of SEBI and RAASB/ IAASB:

3.1. The core functions relating to registration, enforcement action and disciplinary or penal action shall remain with SEBI and SEBI shall continue to register IAs and RAs as per the mandate given under the Securities and Exchange Board of India Act, 1992. The following functions as specified in the table below shall be performed concurrently by SEBI and RAASB or IAASB, as the case may be.

SEBI	Proposed RAASB/IAASB
1. Approval of registration applications of RAs/IAs – fresh registration as well as application made pursuant to change in control	<u>Activities pertaining to administration:</u> 1. Initial scrutiny of registration applications for ensuring completeness of submission of information/ documents along with recommendation on the applications to SEBI 2. Initial scrutiny of post-registration applications illustrated below for ensuring completeness of submission of information/ documents along with recommendation on the applications to SEBI: a. Change of name b. Change of address c. Change of compliance officer/ principal officer/ director/ associated person, contact details, etc. d. Change in shareholding e. Merger/amalgamation/takeover/change in control of RA/IA
2. Approval for post-registration applications such as – a. Change of name b. Change of address c. Change of compliance officer/ principal officer/ director/ associated	

SEBI	Proposed RAASB/IAASB
person, contact details, etc. d. Change in shareholding e. Merger/ amalgamation/ takeover/ change in control of RA/IA f. Surrender of registration g. NOC for establishing wholly owned subsidiary/ joint venture in foreign jurisdiction, etc. 3. Supervision of RAs/IAs 4. Taking enforcement action suo moto or otherwise 5. Taking disciplinary/ penal action including levying penalty on recommendation of proposed body 6. Grievance redressal	f. Surrender of registration g. NOC for establishing wholly owned subsidiary/ joint venture in foreign jurisdiction, etc. 3. Approval of advertisements of RAs/IAs as per Advertisement Code issued by SEBI 4. Maintenance of database of RAs/IAs 5. Enlisting RAs/IAs in the proposed RAASB/IAASB 6. Issuance of circulars/instructions/standard operating procedures, etc. to RAs/IAs for implementation of provisions of SEBI regulations/ circulars 7. Submission of periodical reports to SEBI 8. Collection and administration of fees. <u>Activities pertaining to supervision:</u> 9. Monitoring the activities of RAs/IAs by obtaining Annual Compliance Audit Report and other periodic/ad-hoc reports covering general details of RAs/IAs, details of customer complaints, details of clients, etc. 10. Monitoring compliance of regulations/ circulars by Ras/IAs 11. Grievance redressal and Arbitration/ Online Dispute Resolution (ODR) 12. Taking administrative action including imposition of penalties and issuing warning/caution letter 13. Referring to SEBI for enforcement action against RAs/IAs. In addition to the above, the recognised RAASB/IAASB may be assigned with on-site/offsite inspection of RAs/IAs, to be done on behalf of/concurrently with SEBI and any other activity as may be specified by SEBI.

4. Enlistment of RAs/IAs with RAASB/IAASB:

4.1. Amendments have been made to RA/IA Regulations to provide for 'enlistment' of RAs/IAs with RAASB/IAASB in place of the earlier provision of 'membership' of RAs/IAs with RAASB/IAASB. Under the amended

regulations, an applicant seeking registration as RA./IA shall be required to 'enlist' with RAASB/IAASB.

4.2. Further, in order to provide ease of doing business and to ensure smooth operationalization of RAASB and IAASB framework and to prevent disruption for existing RAs and IAs registered with SEBI, the following has been provided for:

- (i) Existing RAs registered with SEBI shall be deemed to be enlisted with RAASB. Existing IAs registered with SEBI who are also members of BASL⁶ shall be deemed to be enlisted with the IAASB recognised under this framework.
- (ii) Applications for registration as RA received and under process with SEBI up to the effective date of operationalization of RAASB framework shall continue to be processed by SEBI. Such RAs shall be deemed to be enlisted with RAASB once registration is granted by SEBI.
- (iii) Applications for registration as IA pending with SEBI/BASL at the time of operationalization of IAASB framework shall continue to be processed by SEBI/BASL. Once registration is granted by SEBI, such IAs shall be deemed to be enlisted with the IAASB recognised under this framework.
- (iv) New applications received from the effective date of operationalization of RAASB/IAASB framework shall be routed through RAASB/IAASB. In such cases, enlistment with RAASB/ IAASB shall be a pre-requisite for grant of certificate of registration as RA/ IA by SEBI.
- (v) With reference to the RAs/IAs/applicants referred in point (i) to (iii) above, it is clarified that no additional documentation shall be required to be submitted by such RAs/IAs/applicants for enlistment with RAASB or IAASB as the case may be.

5. Repeal and Savings with respect to erstwhile IAASB framework

⁶ BASL- BSE Administration and Supervision Limited ("BASL") which is currently recognized as IAASB

5.1 Any action taken or purported to have been taken or any action that may be taken against any person in relation to the membership of IAASB recognised under regulation 14 of IA Regulations shall be deemed to have been done or taken or may be taken under the corresponding provisions of the amended IA regulations.

6. Measures for promoting efficiency

6.1 To begin with, in order to ensure efficiency in the system and economies of scale, RAASB and IAASB shall be one and the same stock exchange.

6.2 In cases where a person has registration as both RA as well as IA, in the interest of efficiency, a single window clearance of various approvals shall be adopted. Details in this regard shall be specified by the recognised RAASB and IAASB.

7. Submission of Periodic Reports

7.1 Pursuant to operationalization of RAASB/ IAASB framework, all registered RAs/ IAs shall submit periodic reports to RAASB/ IAASB in the manner specified by SEBI.

8. Monitoring of RAASB/IAASB

8.1 SEBI shall monitor RAASB and IAASB through periodical reports and inspection regarding administration and supervision of RAs and IAs.
