

CIRCULAR

SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/96

July 04, 2024

To

All Recognized Stock Exchanges

Stock Brokers through Recognized Stock Exchanges

Dear Sir/Madam,

Subject: Measures to instil confidence in securities market – Brokers’ Institutional mechanism for prevention and detection of fraud or market abuse

1. Chapter IVA of the Securities and Exchange Board of India (Stock Brokers) (Amendment) Regulations, 2024 (hereinafter referred to as the “Broker Regulations”) requires stock brokers to put in place an institutional mechanism for prevention and detection of fraud or market abuse. Accordingly, it has been decided that stock brokers shall comply with the following obligations / mechanisms as laid down in Chapter IVA of the Broker Regulations:
 - 1.1. Systems for surveillance of trading activities and internal controls
 - 1.2. Obligations of the stock broker and its employees
 - 1.3. Escalation and reporting mechanisms
 - 1.4. Whistle Blower Policy
2. The standards for implementation of the same including operational modalities shall be formulated by the Broker’s Industry Standards Forum (ISF), in consultation with SEBI.
3. **Applicability:**
 - 3.1. The provisions of this circular shall come into force in a risk-based, staggered manner to ensure smooth adoption and effective implementation for all the stock brokers by providing enough time for stock brokers, based on their size, for making necessary changes.

- 3.2. Based on the above, the effective date for implementation for different stock brokers has been prescribed in the table below:

Number of active UCCs* of stockbroker	Applicability of Operational / working Modalities & Guidance Note
> 50,000	January 01, 2025
2,001 to 50,000	April 01, 2025
upto 2,000	April 01, 2026

* -as on last day of the preceding month of the date of issuance of the circular

- 3.3. In case of Qualified Stock Brokers (QSBs), considering that enhanced obligations and responsibilities such as governance structure and processes and surveillance of client behaviour are already being followed by them, the effective date for implementation of the circular for QSBs (irrespective of number of UCCs) is August 01, 2024.

4. Stock Exchanges are directed to:

- 4.1. bring the provisions of this circular to the notice of stock brokers and also disseminate the same on their websites;
- 4.2. make amendments to the relevant bye-laws, rules and regulations for the implementation of the above provisions;
- 4.3. issue a joint notice clearly indicating the date of applicability of the circular to various stock brokers based on the criteria mentioned above;
- 4.4. notify the obligation/requirement on the stock brokers to follow the standards adopted by the ISF, in consultation with SEBI.
- 4.5. communicate to SEBI, the status of the implementation of the provisions of this circular in their monthly development report.

5. This circular is issued in exercise of powers conferred under Section 11(1) of Chapter IV of the Securities and Exchange Board of India Act, 1992, read with Regulation 30 of Chapter VII of SEBI (Stock Brokers) Regulations, 1992 and Regulation 51 of Chapter IX of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, to protect the

interests of investors in securities and to promote the development of, and to regulate the securities market.

6. This circular is available on SEBI website at www.sebi.gov.in under the category "Circulars".

Yours faithfully,

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