

CIRCULAR

SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/113

August 07, 2025

To,

All recognized Stock Exchanges

All Depositories

All Clearing Corporations

Madam / Sir,

**Sub: Ease of doing business (EODB) - Policy for joint annual inspection by MIs
- information sharing mechanism- action by Lead MI**

1. SEBI vide circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/73 dated June 30, 2017(hereinafter mentioned as 'Circular') and para 14 of Master Circular for stock brokers dated June 17, 2025 (hereinafter mentioned as 'Master Circular'), specified provisions pertaining to policy for annual inspection of members.
2. Presently, annual inspection of stock brokers/ depository participants ('Brokers'/DPs) are conducted by each of the MIs (Stock Exchanges/Depositories/Clearing Corporations) separately. Such an exercise unwarrantedly taxes the intermediaries due to frequent visits for inspections by different MIs which result in disproportionate diversion of resources leading to disruption in the routine operations of the entities.
3. Accordingly, in order to ensure ease of doing business and to take comprehensive view of entity's operations across all MIs along with optimum utilization of resources, the following has been decided

I. Joint annual inspection instead of separate inspections by MIs:

Entities selected for annual inspections shall be inspected for all segments jointly by all exchanges along with their depository participant (DP) operations (if broker is also registered as DP) and clearing activity (if the broker is

undertaking clearing for other brokers). DP operations and clearing activity undertaken by entities shall be inspected by Depositories and Clearing Corporations, respectively.

This will ensure that entities selected by MIs for their annual inspection shall be inspected jointly by all MIs at one time.

II. Information sharing mechanism:

In order to improve the effectiveness of supervision, MIs shall establish an information sharing mechanism with one another for sharing of inspection observations of entities who hold multiple registrations with MIs.

III. Rationalization and streamlining of criteria for selection of entities:

- i. It has been decided to revise the criteria for annual inspection as follows:
 - a. Top 25 entities paying high and recurring penalties for non-reporting or short reporting of margin/Client Code modification/CTCL mismatch fines or any other similar high risk compliance issue - shall be inspected irrespective of when they were last inspected.
 - b. Top 25 entities in terms of investor complaints and arbitration cases filed by investors, as percentage of number of active clients shall be inspected irrespective of the fact of when they were last inspected.
 - c. Top 25 entities based on 'High risk score' under Risk Based Supervision.
- ii. Entities that do not fall under any of the above categories shall be inspected by the MIs at least once in three years.
- iii. However, entities inspected in preceding two years by any of the MI's/SEBI and/or entities that have not executed a single trade during last two financial years may not be considered for inspection under the above criteria.
- iv. Irrespective of the above, inspections of Professional Clearing Members shall be conducted jointly by Clearing Corporations once in two years.

4. Notwithstanding the above, MIs shall have the prerogative to carry out special purpose/limited inspections based on any triggers like patterns found during investor complaint resolution/Arbitration, complaints on specific malpractices of a broker or references from various authorities. The inspection shall be irrespective of the fact of when the last inspection was carried out.
5. MIs are advised to frame a joint Standard Operating Procedure (SOP) by November 01, 2025 for detailed specifications of inspection criteria, information sharing mechanism and designating one MI as a 'Lead MI', which will initiate enforcement action for such inspections.
6. MIs are advised to continuously review the policy of annual inspection and revise, as and when required, in consultation with SEBI.
7. Qualified Stock Brokers (QSBs) shall continue to be governed by SEBI circular on 'Enhanced obligations and responsibilities on QSBs' dated February 06, 2023 and any changes issued from time to time by SEBI/exchanges.
8. With the issuance of this circular, SEBI Circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/73 dated June 30, 2017 stands rescinded and para 14 of Master Circular for Stock Brokers dated June 17, 2025 stands amended as per this circular.
9. The provisions of this circular shall come into force with effect from December 01, 2025.
10. MIs are directed to make amendments to the relevant bye-laws, rules and regulations for the implementation of above directions.
11. 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, and Section 19 of Chapter IV of the Depositories Act, 1996 read with Regulation 51 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 markets.

12. This circular is available on SEBI website at www.sebi.gov.in under the category: 'Legal → Circulars'.

Yours faithfully,

Aradhana Verma
General Manager
Tel. No: 022 26449633
aradhanad@sebi.gov.in