

<b>SEBI</b> <b>CA. Bhavesh Vora, CA Jayant Thakur</b>	
--	--

SEBI (Securities Exchange Board of India) issues various circulars related to various stakeholders including capital market intermediaries namely Stock Exchanges, Stock Broker, Clearing House, Portfolio Managers, Investment Advisors etc. Following are synopsis of important circulars issued recently: -

- SEBI has implemented an online platform (SCORES) designed to help investors to lodge their complaints, pertaining to securities market, against listed companies and SEBI registered intermediaries. To enable investors to lodge and follow up their complaints and track the status of redressal of such complaints from anywhere, SEBI vide circular dated 4th July 2022 advised all Recognized Stock Exchanges including Commodity Derivatives Exchanges / Depositories to design and implement an online web based complaints redressal system of their own, which will facilitate investors to file complaints and escalate complaints for redressal through Grievance Redressal Committee (GRC), arbitration, appellate arbitration, etc. in accordance with their respective byelaws, rules and regulations. The above redressal mechanism shall be implemented within 6 months from the issuance of this circular.
- Considering the emergence of passive funds i.e. Exchange Traded Fund (ETFs) and Index Funds as an Investment Product SEBI vide circular dated 23rd May 2022 have made amendments in regulatory framework for passive funds in India. The amendments are pertaining to following: -
  - 1) Norms for Debt Exchange Traded Funds (Debt ETFs) / Index Funds
  - 2) Norms for Market Making Framework for ETFs
  - 3) Investor Education and Awareness Charges
  - 4) Direct transaction in ETFs through AMCs
  - 5) Tracking Error and Tracking Difference
  - 6) Valuation by Fund of Funds (FoFs) investing in ETFs
  - 7) Disclosure of indicative Net Asset Value (iNAV)
  - 8) Liquidity window for Investors of ETFs with AMCs
  - 9) Rebalancing period for Equity ETFs/ Index Funds
  - 10) Disclosure Norms for ETFs/ Index Funds
- With regards to change in control of Portfolio Managers, SEBI vide circular dated 2nd June 2022 have streamlined the process of seeking prior approval with following amendments:-

An online application shall be made by Portfolio Manager to SEBI for prior approval through the SEBI Intermediary Portal and the prior approval granted by SEBI shall be valid for a period of six months from the date of such approval. Pursuant to grant of prior approval by SEBI, in order to enable existing investors/ clients to take well informed decision regarding their continuance or otherwise with the changed management, the portfolio manager shall inform its existing investors/ clients about the proposed change prior to effecting the same and give an option to exit without any exit load, within a period of not less than 30 calendar days, from the date of such communication.

In matter which involves scheme of arrangement which needs sanction of the NCLT, the application seeking approval for the proposed change in control under Regulation 11(aa) shall be filed with SEBI prior to filing the application with NCLT. Portfolio Manager shall submit an online application in terms of paragraph 2(i) of this Circular along with the various documents to SEBI for final approval within 15 days from date of order of NCLT :

- SEBI vide circular dated 7th June 2022 have modified Cyber Security and Cyber resilience framework for Stock Brokers / Depository Participants.

Stock Brokers / Depository Participants shall identify and classify critical assets based on their sensitivity and criticality for business operations, services and data management. The critical assets shall include business critical systems, internet facing applications /systems, systems that contain sensitive data, sensitive personal data, sensitive financial data, Personally Identifiable Information (PII) data, etc. All the ancillary systems used for accessing/communicating with critical systems either for operations or maintenance shall also be classified as critical system. The Board/Partners/Proprietor of the Stock Brokers / Depository Participants shall approve the list of critical systems.

Stock Brokers / Depository Participants shall carry out periodic Vulnerability Assessment and Penetration Tests (VAPT) which inter-alia include critical assets and infrastructure components like Servers, Networking systems, Security devices, load balancers, other IT systems pertaining to the activities done as Stock Brokers / Depository Participants etc., in order to detect security vulnerabilities in the IT environment and in-depth evaluation of the security posture of the system through simulations of actual attacks on its systems and networks.

Stock Brokers / Depository Participants shall conduct VAPT at least once in a financial year. All Stock Brokers / Depository Participants are required to engage only CERT-In empanelled organizations for conducting VAPT. The final report on said VAPT shall be submitted to the Stock Exchanges / Depositories after approval from Technology Committee of respective Stock Brokers / Depository Participants, within 1 month of completion of VAPT activity.

In addition, Stock Brokers / Depository Participants shall perform vulnerability scanning and conduct penetration testing prior to the commissioning of a new system which is a critical system or part of an existing critical system

Any gaps/vulnerabilities detected shall be remedied on immediate basis and compliance of closure of findings identified during VAPT shall be submitted to the Stock Exchanges / Depositories within 3 months post the submission of final VAPT report.

Further, the Stock Brokers / Depository Participants are mandated to conduct comprehensive cyber audit at least once in a financial year. All Stock Brokers / Depository Participants shall submit with Stock Exchange/Depository a declaration from the MD/ CEO/ Partners/ Proprietors certifying compliance by the Stock Brokers / Depository Participants with all SEBI Circulars and advisories related to Cyber security from time to time, along with the Cyber audit report.

- SEBI, have decided to modify clause 4.25 of SEBI circular no. SEBI/HO/MIRSD/DPIEA/CIR/P/2020/115 dated July 1, 2020 in order to provide equitable distribution of funds amongst investors.

The Stock exchanges, Clearing Corporation, Interconnected Stock Exchange shall endeavour to settle the claims of maximum number of clients by way of interim measures as mentioned in the said circular in case of Trading Member / Clearing Member leading to default.