

FREQUENTLY ASKED QUESTIONS (FAQs)

SEBI (RESEARCH ANALYSTS) REGULATIONS, 2014

***Disclaimer:** These FAQs are prepared with a view to guide market participants on SEBI (Research Analysts) Regulations, 2014 ("RA Regulations"). For full particulars of laws governing the Research Analysts (RAs), please refer to the Acts/ Regulations/ Guidelines/ Circulars, etc. appearing under the Legal Framework Section of SEBI website i.e. www.sebi.gov.in. Any queries about the RA Regulations can be addressed to the Investment Management Department- Division of Funds 1, SEBI. For an interpretation of a specific provision of the Regulations, informal guidance may be sought as specified under SEBI (Informal Guidance) Scheme 2003.*

1. How the research analysts are regulated in India?

The SEBI (Research Analysts) Regulations, 2014 ("RA Regulations") were notified on September 01, 2014. The RA Regulations have come into effect from December 01, 2014.

The regulations specify conditions for registration, certification, limitations on trading by research analysts, limitations on compensations of research analyst, various disclosures to be made during public appearance and during making recommendations through public media, code of conduct, records to be maintained, manner of conducting inspection, etc. The RA Regulations are available on the SEBI website www.sebi.gov.in.

2. What is the transition period provided for the existing persons acting as research analyst or research entity for obtaining registration under RA Regulations?

Transition period of six months from the date of commencement of RA Regulations has been provided to the existing persons acting as research analyst or research entity before commencement of the RA Regulations to comply with certification, qualification, segregation of research activity from other activities, etc. However, they are required to file an application for grant registration within the said period of six months from the commencement of the regulations i.e. December 01, 2014, to continue to do so thereafter.

Such persons who have made applications for grant of registration can continue to do so till the disposal of the application. The person who fails to file an application for grant

of registration within the aforesaid time period of six months from the commencement of the regulations, shall stop acting as research analyst. If any person found to be acting as research analyst without making an application for grant of registration under RA regulations after expiry of such period i.e. May 31, 2015, appropriate action as deemed fit, under SEBI Act, 1992 may be initiated.[Ref. Regulation 3(1)].

3. Whether the individuals employed as research analyst with an entity are required to obtain registration certificate under RA Regulations?

No. Individuals employed as research analyst with an entity are not required obtain registration certificate from SEBI. The research entity which employs individuals as research analysts is required to obtain registration certificate under RA Regulations. The individuals employed as research analyst by research entity are required to comply with qualification and certification requirements as specified in the regulations. The trading limitations prescribed under the regulations are applicable to them.[Ref Regulation 7 and 16]

4. Whether the personnel involved in publication activities like marketing and editing are covered under the definition of Research Analyst under RA Regulations.

The RA Regulations do not cover personnel engaged in clerical activities/marketing activities, back office assistance, support services, etc, in relation to publication and/or distribution of research report.

As per the regulations, “research analyst” means a person who is primarily responsible for,-

- i. preparation or publication of the content of the research report; or
- ii. providing research report; or
- iii. making 'buy/sell/hold' recommendation; or
- iv. giving price target; or
- v. offering an opinion concerning public offer,

with respect to securities that are listed or to be listed in a stock exchange, whether or not any such person has the job title of 'research analyst' and includes any other entities engaged in issuance of research report or research analysis. *Explanation.*-The term also includes any associated person who reports.

5. What are all the communications excluded from the definition of research report?

"Research report" does not include the following communications:-

- i. comments on general trends in the securities market
- ii. discussions on the broad-based indices;
- iii. commentaries on economic, political or market conditions;
- iv. periodic reports or other communications prepared for unit holders of Mutual Fund or Alternative Investment Fund or clients of Portfolio Managers and Investment Advisers;
- v. internal communications that are not given to current or prospective clients;
- vi. communications that constitute offer documents or prospectus that are circulated as per regulations made by SEBI
- vii. statistical summaries of financial data of the companies
- viii. technical analyses relating to the demand and supply in a sector or index
- ix. any other communication which SEBI may specify from time to time [Ref. Regulation 2(1)(w)]

6. Whether technical analysis is exempted under the purview of the RA Regulations?

Making buy/sell/hold recommendation on individual stocks based on the technical analysis is not exempted under the purview of the RA Regulations. However, technical analyses relating to the demand and supply for a particular sector or index is exempted from the purview of the RA Regulations. [Ref. Regulation 2(1)(w)]

7. What are all communications excluded under periodic reports as per definition of research report?

Periodic reports such as sending financial account statements, annual reports and any other communication as required under the specific regulations prepared for unit holders of Mutual Fund or Alternative Investment Fund or clients of Portfolio Managers and Investment Advisers are excluded from the definition of research report under RA Regulations.

8. Does RA Regulations cover only equity and equity linked securities?

No. RA Regulations covers all the securities as defined under clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956.

9. Who are all covered under the definition of Research Entity?

Intermediaries registered with SEBI who is engaged in merchant banking or investment banking or brokerage services or underwriting services and issue research report or research analysis and other intermediaries to whom there is no specific exemption under RA Regulations are covered under the definition of research entity.

Accordingly, SEBI registered Stock Brokers, Merchant Bankers and Underwriters and other intermediaries except those who are exempted from making application under RA Regulations are required to make application for grant of registration under RA Regulations, if they are engaged in issuance of research reports or research analyses. [refer to Regulation 2(v) for the definition of research entity]

10. Who is an independent research analyst?

"Independent research analyst" means a person whose only business activity is research analysis or preparation and/or publication of research report and includes individuals engaged in providing research services without being employed with any research entity(intermediary) and entities other than SEBI registered intermediaries who are engaged in research activities. [refer to Regulation 2(h)]

11. Who is a proxy adviser?

"Proxy adviser" means any person who provide advice, through any means, to institutional investor or shareholder of a company, in relation to exercise of their rights in the company including recommendations on public offer or voting recommendation on agenda items.[Ref Regulation 2(1) (p)].

12. Whether proxy advisers are required to obtain registration under RA Regulations?

Yes. Proxy Advisers are required to obtain registration from SEBI under RA Regulations.

13. What are the additional requirements to be fulfilled by proxy adviser?

All the provisions of Chapter II, III, IV, V and VI of RA Regulations shall apply mutatis mutandis to the proxy adviser. The proxy adviser shall additionally disclose the following:

- (i) the extent of research involved in a particular recommendation and the extent and/or effectiveness of its controls and procedures in ensuring the accuracy of issuer data;
- (ii) (ii) policies and procedures for interacting with issuers, informing issuers about the recommendation and review of recommendations.

Proxy adviser is required to maintain the record of his voting recommendations and furnish the same to SEBI on request. [Ref. Regulation 23]

14. Who is required to make an application to get registration under RA Regulations?

In terms of the RA Regulations, no person shall act as a research analyst or research entity or hold itself out as a research analyst unless he has obtained a certificate of registration from SEBI on and from the commencement of RA Regulations unless an exemption specifically applies. [Ref. Regulation 3(1)].

Independent research analyst or research entity (intermediary) who is engaged in issuance of research report or research analysis is required to make an application for registration under RA Regulations.

15. What is the procedure of obtaining registration as a research analyst from SEBI?

Application shall be made in Form A as specified in RA Regulations with necessary supporting documents. A section by the name "Research Analyst" has been created on the SEBI website where in the details/circulars/press releases pertaining to RA regulations will be uploaded on a periodic basis. A document by the name "How to get registered as research analyst" has also been uploaded under the relevant section.

16. Where to make an application to get registered as a research analyst?

The application for grant of registration as a research analyst under RA Regulations shall be filed with either the Head Office (HO) or the concerned Regional Office (RO) / Local Office (LO) of the SEBI under the jurisdiction of which the registered address of the applicant is located. The addresses of offices of SEBI are available on the website at www.sebi.gov.in and also on the link http://www.sebi.gov.in/sebiweb/stpages/contact_us.jsp.

17. Who are exempted from making application for grant of registration under RA Regulations?

Investment Advisers, Credit Rating Agencies, Asset Management Companies and Fund Managers (i.e. fund managers of a mutual fund or alternative investment fund or venture capital fund or portfolio manager) shall not be required to be registered under these regulations. However, they are required to comply with Chapter III of these Regulations, if they issue research reports or their research report is circulated or distributed to public or general investors and/or if they or their directors or employees make public appearance. [Ref. Regulation 3(1)].

18. Who are all covered under public media?

Any persons who makes recommendation or offers an opinion concerning securities or public offers to the general public through any media source available such as radio, television, internet, web or print media are covered under the definition of "public media".

19. Whether journalists who are on the payrolls of media organizations such as newspaper or television are covered under definition of public media ?

Yes. SEBI (Research analyst) Regulations, 2014 covers any person including journalists who:

- i. make public appearance or
- ii. make comments through the public media for giving opinion or recommendations concerning securities or on public offers.

Journalists employed by various news organizations and who comment on specific stock with proper research, which get published in news paper, etc have to comply with provisions specified under regulation 21(2) of SEBI (Research Analysts) Regulations, 2014. However, RA regulations do not cover the following communications while making recommendations through public media:

- (i) general trends in the securities market;
- (ii) discussions on the broad-based indices;
- (iii) commentaries on economic, political or market conditions;
- (iv) statistical summaries of financial data of the companies
- (v) technical analyses relating to the demand and supply in a sector or index based on trading volume and price

20. Whether journalists who are on the payrolls of media organizations such as newspaper or television are required to get registered with SEBI ?

No. The journalists who are on the payrolls of media agency such as newspaper or television are not required to get registered with SEBI. However, if they make public appearance or makes a recommendation or offers an opinion concerning securities or public offers through public media, all the provisions of regulations 16 on limitations on trading and 17 on limitations on compensation shall apply mutatis mutandis and they shall disclose their name, registration status and details of financial interest in the subject company.

21. Whether the persons making recommendations through public media are required to obtain registration under RA Regulations?

No. Any person who makes recommendation or offers an opinion concerning securities or public offers only through public media is not required to obtain registration as research analyst under RA Regulations. However, whenever they make public appearance or makes a recommendation or offers an opinion concerning securities or public offers through public media, all the provisions of regulations 16 on limitations on trading and 17 on limitations on compensation shall apply mutatis mutandis to him and he shall disclose his name, registration status and details of financial interest in the subject company.

Further, if such person is also engaged in preparation and/or publication of research report or research analysis, he or the entity on whose behalf the he is acting as a research analyst, needs to get registered with SEBI.

22. What are the disclosures required for making recommendations in public media?

Any person including a director or employee of an investment adviser or credit rating agency or asset management company or fund manager, makes public appearance or makes a recommendation or offers an opinion concerning securities or public offers through public media, all the provisions of regulations 16 on limitations on trading and 17 on limitations on compensation shall apply mutatis mutandis to him and he shall disclose his name, registration status and details of financial interest in the subject company at the time of:

- (i) making such recommendation or offering such opinion in personal capacity;
- (ii) responding to queries from audiences or journalists in personal capacity;

(iii) communicating the research report or substance of the research report through the public media.

23. Whether any application fee is required to be paid at the time of making application for grant of registration under RA Regulations and What is the amount to be paid for grant of registration/renewal registration as research analyst?

Yes. Application fees must be paid along with the application Form for grant of registration. Applicants who are individuals and firms including proxy advisers are required to pay a sum of Rs. Five Thousand (Rs.5,000/-) as application fee at the time of filing of application for grant of registration.

Applicants who are body corporates and Limited Liability Partnership Firms (LLPs) are required to pay a sum of Rs. Fifty Thousand (Rs. 50,000/-) as application fee at the time of filing of application for grant of registration. [Ref. Second schedule of RA Regulations].

Applicants who are individuals and firms are required to pay a sum of Rs. Ten Thousand (Rs.10,000/-) as registration fee at the time of grant of registration or renewal of certificate by SEBI.

Applicants who are proxy advisers are required to pay a sum of Rs. Ten Thousand (Rs.10,000) as registration fee at the time of grant of registration or renewal of certificate by SEBI.

Applicants who are body corporates and Limited Liability Partnership Firms (LLPs) are required to pay a sum of Rs. Five Lakh (Rs. 5,00,000) as registration fee at the time of grant or renewal of certificate by SEBI. [Ref. Second schedule of RA Regulations]

S. No.	Category	Application Fee*	Registration /Renewal Fee
1	Individual and Partnership Firms	Rs. 5,000	Rs. 10,000
2	Proxy Advisers	Rs. 5,000	Rs. 10,000
3	Body Corporate including Limited Liability Partnership	Rs. 50,000	Rs.5,00,000

*Application fees must be paid along with the application Form for grant of registration.

24. What is the capital adequacy requirement for a Research Analyst?

A research analyst who is individual or partnership firm is required to have a minimum net worth of Rs. One Lakh. A research analyst who is body corporate or limited liability partnership firm (LLPs) required to have a minimum net worth of Rs. Twenty Five Lakh. [Ref. Regulation 8]

Proxy Advisers shall have to comply with the capital adequacy requirements within three years from the date of commencement of the RA Regulations.

25. Can a sole proprietor make an application to get registered as a research analyst?

A sole proprietor can make an application to get registered as an independent research analyst. The proprietor of the sole proprietorship firm is required to fulfill eligibility conditions applicable to individual under RA Regulations.

26. Whether a person located outside India can issue research reports under RA Regulations?

Yes. Any person located outside India engaged in issuance of research report or research analysis in respect of securities listed or proposed to be listed on a stock exchange in India shall enter into an agreement with a research analyst or research entity registered under RA regulations.

27. What is the qualification and certification requirement under regulation 7(2) of RA Regulations?

An individual registered as a research analyst, individuals employed as research analyst and partners of a research analyst, as the case may be engaged in preparation and/or publication of research report or research analysis are required to obtain NISM certification for research analysts as specified by SEBI or other certification recognized by SEBI from time to time.

28. Is it mandatory for research analysts to include the words 'research analyst' in its name?

Research analyst registered under these regulations shall use the term "research analyst" in all correspondences. [Ref. Regulation 13(iii)]

29. What is the time period for obtaining certification as specified under regulation 7(2) of RA Regulations for an existing research analyst?

The existing persons acting as research analysts before commencement of the RA Regulations and seeking registration are required to comply with the regulation 7(2) of RA Regulations within two years from the date of commencement of RA Regulations i.e. December 01, 2014. [Ref. proviso to Regulation 7(2)]

30. In case of a partnership firm, who is required to fulfill qualification and certification requirement under regulation 7 of RA Regulations?

All the partners engaged in preparation and/or publication of research report or research analysis are required to fulfill qualification and certification requirement under regulation 7 of RA Regulations.

31. What is the criteria for Net worth certificate?

The Networth certificate should not be more than 6 months old at the time of filing of application.

32. How long does the certificate of registration remain valid under RA Regulations?

The certificate of registration under RA Regulations remains valid for five years or till suspended. [Ref. Regulation 10]

33. When can a research analyst/research entity can apply for grant of renewal of its registration?

A research analyst/research entity is required to apply for grant of renewal registration certificate to SEBI, three months before the expiry of the validity of the certificate. [Ref. Regulation 11]

34. Who are all required to monitor the personal trading activities of the individuals employed as research analysts ?

Research entities and independent research analysts who employ individuals as research analysts are required to monitor and record the personal trading activities of the individuals employed as research analyst with them {Ref Regulation 16(1)}

35. What are trading restrictions imposed under RA Regulations?

Research analyst or his associate shall not deal or trade any securities that the research analyst recommends or follows within 30 days before and 5 days after the publication of a research report on the subject company. Research analyst or his associate shall not deal or trade directly or indirectly any securities that he reviews in a manner contrary to his outstanding recommendation, etc. [Ref Regulation 16]

36. Whether the limitations on trading prescribed under regulation 16 of RA Regulations are applicable to research entity?

The trading limitations prescribed in the RA regulations are applicable to the individuals employed as research analyst, individuals registered as research analyst, independent research analysts, research entities and their associates. [Ref Regulation 16(2)]

37. Whether the limitations on trading applicable to research entity or its associates, if it has segregated its research activities from other activities?

The limitations on trading prescribed under regulation 16(2) to 16(4) are not applicable to a research entity or its associates, if such research entity has segregated its research activities from all other activities and maintained arms-length relationship between such activities. A time period of six months from the commencement of RA Regulations i.e. December 01, 2014, has been provided to the existing research entities to segregate its research activities from all other activities.

38. Who are required to comply with chapter III of RA Regulations?

All the SEBI registered research analysts are required to comply with chapter III of RA Regulations. Further, the exempted persons from obtaining registration under RA Regulations such as investment adviser, credit rating agency, asset management company or fund manager, who issues research report or circulates/distributes research report to public or its director or employee who makes public appearance are required to comply with Chapter III of RA regulations. [Ref. proviso to Regulation 3(1)]

39. Who are required to appoint a compliance officer under RA Regulations?

Research analyst or research entity which is a body corporate or limited liability partnership firm is required to appoint a compliance officer who shall be responsible for monitoring the compliance in respect of the requirements of the Act, regulations, notifications, guidelines, instructions issued by SEBI. [Ref. Regulation 26]

40. Whether the existing compliance officer of a Brokerage Firm/Merchant Banking Firm, etc can act as a compliance officer of research entity under RA regulations.

Yes. The existing compliance officer of intermediary can be appointed as a compliance officer of a research entity under RA Regulations.
