



भारतीय प्रतिभूति और विनिमय बोर्ड  
Securities and Exchange Board of India

CIRCULAR

CIR/MIRSD/22/2011

October 25, 2011

To

All Recognized Stock Exchanges

Dear Sir/Madam,

**Sub: 'In-person' verification (IPV) of clients by subsidiaries of stock exchanges, acting as stock brokers**

- 1) SEBI vide letter No. MIRSD/DPS-III/130466/2008 dated July 02, 2008 (addressed to the stock exchanges), mandated the stock brokers to carry out 'in-person' verification of their clients by their staff while registering them and also ensure that this function is not outsourced.
- 2) Subsequently, SEBI vide circular No. SEBI/MIRSD/Cir. No. 02/2010 dated January 18, 2010 clarified that the *'in person' verification done for opening beneficial owner's account by a Depository Participant (DP) will hold good for opening trading account by a stock broker and vice versa, if the stock broker and DP is the same entity or if one of them is the holding or subsidiary company of the other.*
- 3) The subsidiaries of stock exchanges have now requested SEBI to consider the 'in-person' verification carried out by their sub-brokers as due compliance with the aforesaid requirement since the said sub-brokers are also the stock brokers of the parent stock exchange and the subsidiaries are not permitted to register direct clients.
- 4) The matter has been examined and considering their distinctive structure, it is clarified that *the subsidiaries of stock exchanges, acting as stock brokers, may rely upon the 'in-person' verification done by their sub-brokers (who are also registered with SEBI as stock brokers of the parent stock exchange) for their respective clients.* However, the ultimate responsibility for 'in-person' verification would remain with the subsidiaries and they shall obtain the necessary IPV documents for their records.
- 5) The stock exchanges are advised to:
  - a. bring the provisions of this circular to the notice of the stock brokers and also disseminate the same on their websites;
  - b. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision in co-ordination with one another to achieve uniformity in approach; and

- c. communicate to SEBI, the status of the implementation of the provisions of this circular in the Monthly Development Report of the following month.
- 6) This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets and shall come into effect from the date of this circular.
- 7) This circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the categories "Legal Framework" and "Circulars".

Yours faithfully,

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