



## SEBI Board Meeting

The SEBI Board met in Mumbai today and took the following decisions:

### I. Regulatory Sandbox Framework

“Regulatory Sandbox” refers to a live testing environment where new products, processes, services and business models can be deployed, on a limited set of eligible customers, for a specified period of time, with certain relaxations in the extant SEBI regulations and guidelines.

To begin with, all entities registered with SEBI under Section 12 of the SEBI Act 1992, shall be eligible for testing within the Regulatory Sandbox. An entity can participate on its own or use the services of a FinTech firm. The registered entity shall be treated as the principal applicant, even if it uses the services of a FinTech firm, and shall be solely responsible for testing of the solution in the sandbox.

SEBI has considered the cross domain approach for Regulatory Sandbox, wherein a regulated entity shall be permitted to test solutions for activities for which it is not registered.

The Board deliberated the proposal of regulatory framework to facilitate and operationalize the Regulatory Sandbox (‘sandbox’) framework by inserting a common chapter in respective regulations of SEBI for granting limited certificate of registration to the entity interested in applying for testing in the Regulatory Sandbox. This concept of limited registration shall facilitate the entities to operate in a Regulatory Sandbox without being subjected to the entire set of regulatory requirements to carry out that activity.

## **II. SEBI (Investment Advisers) Regulations, 2013**

SEBI had issued a Consultation Paper on Review of Regulatory Framework for Investment Advisers in January 2020 seeking comments from the public on the proposals that were intended to strengthen the regulatory framework for Investment Advisers.

The Board, after considering the issues in all four consultation papers and public comments, approved the proposals on regulatory changes including amendments to SEBI (Investment Advisers) Regulations, 2013.

The major regulatory changes are as under:

1. Segregation of Advisory & Distribution Activities at client level to avoid conflict of interest. Further, Individual Investment Adviser shall not provide distribution services.
2. Implementation services (Execution) through direct schemes/ products in the securities market shall be allowed to Investment Advisers for the convenience of the investors.
3. To mandate an agreement between Investment Adviser and the client incorporating the key terms and conditions regarding Investment Advisory Services for greater transparency.
4. Bringing clarity in payment of fees and introduction of upper limit on the fees charged to Investors.
5. Enhanced eligibility criteria for registration as an Investment Adviser including net worth, qualification and experience requirements while grandfathering existing Individual Investment Advisers from complying with the enhanced qualification and experience as specified by the Board.
6. Person dealing in distribution of securities shall not use the nomenclature "Independent Financial Adviser (IFA)" or "Wealth Adviser" or any other similar name, unless registered with SEBI as Investment Adviser.

### **III. Amendments to SEBI (Infrastructure Investment Trusts) Regulations, 2014 and the SEBI (Real Estate Investment Trusts) Regulations, 2014**

The Board considered and approved the following amendments to SEBI (Infrastructure Investment Trusts) Regulations, 2014 and SEBI (Real Estate Investment Trusts) Regulations, 2014:

1. Provisions for fast track rights issue of units by REITs and InvITs to be provided for in the respective regulations.

The Board considered and approved the following amendment to SEBI (Infrastructure Investment Trusts) Regulations, 2014:

1. As an alternative to the requirement of 5 years' experience in infrastructure sector for investment manager of an InvIT, the combined relevant experience of not less than 30 years of the directors/partners/employees of the investment manager shall also be considered.

### **IV. Amendments to SEBI (Mutual Funds) Regulations, 1996 pertaining to:**

#### **A. Custodian for gold or gold related instruments**

In order to reduce concentration of custodial services for gold or gold related instruments, the Board approved the proposal to amend the SEBI (Mutual Funds) Regulations, 1996 providing for non-bank custodians in addition to bank-custodian to offer custodian services for gold or gold related instruments of Gold ETFs.

#### **B. Investment by the Sponsor or Asset Management Company in Close Ended Schemes**

Currently, the investment by the Sponsor or Asset Management Company is mandatory in all schemes except close ended schemes. In order to bring uniformity across schemes, the Board has decided that Sponsor or AMC shall invest in close ended schemes also.

**V. Amendment to SEBI (Depositories and Participants) Regulations, 2018 to enable re-pledge of securities pledged in dematerialized form**

The Board approved insertion of a suitable Explanation to Regulation 79 (Manner of creating pledge in Depository) under SEBI (Depositories and Participants) Regulations, 2018, that the word “pledge” shall include re-pledge of securities for margin and / or settlement obligations of the client or such other purposes as specified by the Board from time to time.

**VI. Budget Estimates for the Financial Year (FY) 2020-21**

The SEBI Budget for the financial year 2020-21 was considered and approved by the Board.

**Mumbai**

**February 17, 2020**