भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

DRAFT CIRCULAR FOR PUBLIC COMMENTS

Facilitation to SEBI registered Stock Brokers to undertake securities market related activities in Gujarat International Finance Tech-city – International Financial Services Centre (GIFT-IFSC) under a Separate Business Unit (SBU)

Background

1. As per extant policy, SEBI registered stock brokers are required to obtain approval from SEBI in the form of NOC to float subsidiaries or to enter into joint venture to undertake securities market related activities in Gujarat International Finance Tech-city – International Financial Services Centre (GIFT-IFSC).

2. Stock brokers are required to maintain an arms-length relationship between its activities and that of its subsidiary/joint venture in GIFT-IFSC. Such relationship is required to be maintained in terms of key personnel, infrastructure, segregation of books and records, independent regulatory control and supervisory mechanism, etc.

3. Further, the activities of the subsidiary/joint venture in GIFT-IFSC fall under the jurisdiction of the respective regulatory authority and the subsidiary/joint venture in GIFT-IFSC is required to obtain necessary permission from such regulatory authority.

4. In order to ensure ease of doing business and to leverage the existing infrastructure of the stock brokers, it is proposed that stock brokers may offer these services under a Separate Business Unit (SBU) of the stock broking entity itself on an arms-length basis. Accordingly, the requirement for stock brokers to obtain approval (NOC) from SEBI to float subsidiary/joint venture in GIFT-IFSC may be done away with.

Public Comments:

5. Draft circular on "Facilitation to SEBI registered Stock Brokers to undertake securities market related activities in Gujarat International Finance Tech-city – International Financial Services Centre (GIFT-IFSC) under a Separate Business Unit (SBU)" is placed at **Annexure A**. The comments/ suggestions should be submitted latest by April 11, 2025, through the following link: https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes

6. In case of any technical issue in submitting your comment through web based public comments form, you may write to consultationMIRSD@sebi.gov.in with the subject: "Facilitation to SEBI registered Stock Brokers to undertake securities market related activities in Gujarat International Finance Tech-city – International Financial Services Centre (GIFT-IFSC) under a Separate Business Unit (SBU)".

Issued on: March 21, 2025

Annexure A

DRAFT CIRCULAR

SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/XXXX/XXX **DD-MM-YYYY**

To,
All recognized Stock Exchanges
Stock Brokers through Recognized Stock Exchanges

Madam / Sir,

Sub: Facilitation to SEBI registered Stock Brokers to undertake securities market related activities in Gujarat International Finance Tech-city – International Financial Services Centre (GIFT-IFSC) under a Separate Business Unit (SBU)

1. In order to facilitate SEBI registered stock brokers to undertake securities market related activities in Gujarat International Finance Tech-city – International Financial Services Centre (GIFT-IFSC), it has been decided to do away with the requirement of obtaining specific approval from SEBI.

2. Stock brokers proposing to undertake securities market related activities in GIFT-IFSC may do so under a Separate Business Unit (SBU) of the stock broking entity itself.

3. The matters related to policy, eligibility criteria, risk management, investor grievances, inspection, enforcement, claims etc. for SBU in GIFT-IFSC would be specified under the regulatory framework issued by the respective regulatory authority and all activities of the SBU in GIFT-IFSC would be under the jurisdiction of that regulatory authority.

4. In pursuance of the above regulatory jurisdiction, to demarcate the regulatory obligations and to ring fence the activities of the stock brokers in Indian securities market and that of SBU in GIFT-IFSC, some of the key safeguards are being prescribed as under:

   4.1 Stock brokers shall ensure that securities market related activities of the SBU in GIFT-IFSC are segregated and ring-fenced from the Indian securities market related activities of the stock broker and arms-length relationship between these activities are maintained.

   4.2 Such SBU in GIFT-IFSC shall be exclusively engaged in providing securities market related activities in GIFT-IFSC only.

4.3 Stock brokers shall prepare and maintain a separate account for the SBU on arms-length basis.

4.4 The net worth of the SBU shall be kept segregated from the net worth of the stock broker in the Indian securities market. Net worth criteria for stock broker shall be satisfied after excluding account of the SBU.

5. As the activities of the SBU shall be under the jurisdiction of another regulatory authority, Grievance Redressal Mechanism and Investor Protection Fund (IPF) of the stock exchanges and SCORES shall not be available for investors availing the services of the SBU.

6. Such stock brokers who have already floated subsidiary or entered into joint venture to undertake securities market related activities in GIFT-IFSC after obtaining approval from SEBI, may dismantle such subsidiary/joint venture and carry out such services under an SBU of the stock broking entity itself.

7. 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, read with regulation 30 of the SEBI (Stock Brokers) Regulations 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

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