

Name of the Applicant : FRR Shares And Securities Limited

Category of Applicant : Stock Broker registered with SEBI and Depository Participant of CDSL

Nature of Informal guidance : Interpretive Letter

Details of Fees Paid : 50,000/-
As per the enclosed annexure.

Details of the transaction : **Request for informal guidance by way of interpretive letter under SEBI (Informal Guidance Scheme), 2003 in connection with SEBI Circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017 on subject matter: Prevention of Unauthorised Trading by Stock Brokers**

Relevant regulatory provisions : Question: Whether log of client communication (chat) on whatsapp directing our dealers to buy or sell shares can be considered ***as log of internet transactions or Record of SMS messages or legally verifiable record*** as compliance of requirements given in of para III of circular no CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017.

Query : We introduce ourselves as FRR Shares And Securities Limited (FRR), an intermediary registered with SEBI as trading member of NSE and BSE (SEBI Registration number INZ000279232) and depository participant of CDSL(IND 12068100)

We provide stock broking and depository services to a large number of retail individuals.

SEBI has issued circular having reference no CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 on September 26, 2017 on Unauthorised Trading by stock brokers which reads as under

I SEBI in the past has taken several steps to tackle the menace of "Unauthorized Trades" viz Periodic Running Account Settlement, Post transactions SMS/email by exchanges/Depositories, Ticker on broker/DP websites etc. It was observed that in spite of measures taken, a considerable proportion of investor complaints is of the nature of "Unauthorized Trades".

II. The current regulatory requirements in commodity derivative markets require that “The members shall execute the trade of clients only after keeping evidence of the client placing such order; it could be, inter alia, in the form of sound recording.” There are no such requirements in Equity, Equity Derivative and Currency Derivative Market side.

III. To further strengthen regulatory provisions against un-authorized trades and also to harmonise the requirements across markets, it has now been decided that all brokers shall execute trades of clients only after keeping evidence of the client placing such order, it could be, inter alia, in the form of:

- a. Physical record written & signed by client,***
- b. Telephone recording,***
- c. Email from authorized email id,***
- d. Log for internet transactions,***
- e. Record of SMS messages,***
- f. Any other legally verifiable record.***

When dispute arises, the burden of proof will be on the broker to produce the above records for the disputed trades.

IV. Further, wherever the order instructions are received from clients through the telephone, the stock broker shall mandatorily use telephone recording system to record the instructions and maintain telephone recordings as part of its records.

V. This circular shall be effective with effect from 1st January 2018.

VI. The Stock Exchanges are directed 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 directions in co ordination with one another to achieve uniformity in approach.***
- c. communicate to SEBI, the status of the implementation of the provisions of this circular in their Monthly Development Reports.***

VII 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 interest of investors in securities and to promote the development of and to regulate the securities market.

As mentioned above, we, FRR Shares And Securities Limited, provide stock broking and depository services to a large number of retail individuals. Many of such individuals prefer to communicate on WhatsApp .

Whatsapp is a free, popular messaging app owned by Meta that lets users send texts, voice/video calls and share media (photos, docs, location) over wi-fi or mobile data, using end to end encryption for secure, cross-platform communication popular globally without requiring to pay any fees.

Key Features & Functions:

- **Messaging:** Send texts, voice notes, GIFs, stickers, and files (up to 2GB).
- **Calls:** Make free voice and video calls to individuals or groups.
- **Security:** Built-in end-to-end encryption ensures only sender/recipient can read messages.
- **Cross-Platform:** Works on iOS, Android, Mac, and Windows, syncing across devices

How it Works:

- Uses your phone number for registration and identification.
- Relies on internet (Wi-Fi or data) rather than traditional SMS, saving costs.
- Available as a mobile app and desktop application.

We understand that WhatsApp messages can be used as evidence in court, subject to meeting legal standards of authenticity or forensic validation to prove that they have not been tampered with, ensuring they are reliable digital records of communication.

With above background we seek your guidance as under:

Whether confidentiality is required under paragraph 15 of the scheme : No

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