Introduction of regulatory framework for Execution Only Platforms for direct plans of Mutual Fund schemes

1. **Objective:**

The purpose of this memorandum is to seek the approval of the Board for introducing a regulatory framework governing the operations of Execution Only Platforms for direct plans of Mutual Fund schemes.

2. **Background:**

2.1. To facilitate growth and cost-effectiveness of Mutual Fund products, in the year 2012, SEBI mandated Mutual Funds/Assets Management Companies ("AMCs") to provide a separate plan for direct investments, i.e., investments not routed through a distributor. Both direct and regular plans are part of the same scheme of a Mutual Fund and are managed by the same fund manager, but have different expense ratios. Direct plans are intended for investors who prefer to invest directly in a Mutual Fund scheme without the help of any distributor/agent. Investing in a direct plan is akin to buying a product from the manufacturer directly, whereby the cost to the customer is lower as there is a saving in terms of distribution cost/commission paid to the distributor/agent, which is added back to the returns of the scheme.

2.2. Further, to promote the adoption of technology and ease of doing business in the Mutual Fund industry, SEBI has undertaken various initiatives. Presently, there are various channels available to investors for investment in direct plans of Mutual Fund schemes, which include the following: -

a) through the office/website/mobile app of the AMC, in physical or digital mode.
b) through SEBI registered Stock Broker ("SB")/Investment Adviser ("IA") using Mutual Funds transaction platform provided by Stock Exchanges ("SEs") viz. NMF Platform of NSE and BSE StAR MF.
c) through SEBI registered IA/PM, directly with AMCs, as their clients.

d) through platforms like MF Utilities India Pvt. Ltd., MF Central, platforms provided by Registrar and Transfer Agents (“ RTAs”), etc.,

2.3. Mutual Fund industry has seen tremendous growth in the past decade and as on October 31, 2022, the Asset Under Management (“AUM”) of the Mutual Fund industry stands at INR 39.50 lakh crore. In a decade since the introduction of a separate plan for direct investments in Mutual Funds, investments through direct plans of Mutual Fund schemes have seen enormous growth. As on October 31, 2022, the AUM routed through direct plans of Mutual Fund schemes stands at INR 17.13 lakh crore, which is approximately 43% of the total AUM while the remaining is routed through regular plans of Mutual Fund schemes. Of the direct plan AUM of Mutual Funds, participation by individuals including HNIs, HUFs and NRIs is 32.9% and by individuals excluding HNIs, HUFs and NRIs is 13.3%.

2.4. There has also been a significant rise in the number of unique investors in Mutual Funds (from 2.92 crore as on March 31, 2020 to 4.36 crore on October 31, 2022). With the increasing focus on financial literacy, digitization, online banking, usage of smartphones, and awareness about Mutual Funds, more and more investors may be in a better position to leverage technology and invest directly in Mutual Fund schemes.

2.5. It is observed that various SEBI registered IA/SB have been providing execution services in direct plans of Mutual Fund schemes through their technology platforms/digital platforms. However, not all investors who are executing transactions in direct plans of Mutual Fund schemes through these platforms are availing of any advisory/broking services. They are rather using the platforms only to execute transactions in direct plans of Mutual Fund schemes. With respect to such investors, IAs/SBs were typically using their respective IA/SB registration codes to have the visibility of data feeds of clients’ transactions executed through their platforms.

2.6. In the context of visibility of clients' transaction data feeds, SEBI vide letter dated September 6, 2021, to the Association of Mutual Funds in India (AMFI), *inter alia* clarified that IA/ SB /PM can have visibility of clients' direct plan transaction data feeds from RTAs for clients availing advisory/broking/portfolio management services by using the IA/SB/PM codes as they are agents of the investors in their capacity as IA/SB/PM.

2.7. The usage of IA/SB/PM registration code by platforms mentioned above for visibility of the transactions brings convenience for investors by providing an overall view of their investments. However, for the investors who are not their clients in terms of IA/SB/PM Regulations, the risk associated with such transactions cannot be overlooked as the non-clients do not have any recourse or protection available under any regulatory framework. Thus, there is a need to strike a balance between convenience and investor protection.

2.8. Presently, there is no specific framework available for technology platforms/digital platforms (including platforms provided by IAs/SBs to non-clients) to provide execution-only services in direct plans of Mutual Fund schemes and obtain data feeds with respect to such transactions. Though the platforms provided by SEs/RTAs viz, NMF Platform of NSE, BSE StAR MF and MF Central enable the investors to transact with or without availing services of an intermediary, there are considerable number of investors who may find it more convenient to avail the services of technology/digital platforms for transactions in schemes of different Mutual Funds on their own.

2.9. Hence, to further promote the penetration of Mutual Funds and to ensure that ease of investment comes with adequate investor protection and grievance redressal mechanism, a framework for working of platforms providing execution only services for Mutual Fund direct schemes i.e., Execution Only Platforms ("EOPs") may be the stepping stone towards strengthening the investors with the power of technology along with the ability to invest directly in Mutual Fund schemes.

2.10. Discussions were held with the stakeholders in this regard and feedback was received from industry participants that SEs can monitor such EOPs under the existing SEs platform framework with minimum effort and also audit the services offered by the EOP periodically as per existing SEs rules/procedure. For the above purpose, the SEs may create a separate limited purpose membership for entities desirous of offering EOP services to the investors.

2.11. The matter was deliberated in the Mutual Fund Advisory Committee (MFAC) and the members were of the view that there is a need to have a separate framework for EOPs.

3. Public Consultation

3.1. Pursuant to discussions with Mutual Fund industry, stakeholders and internal discussions, SEBI issued a consultation paper on July 22, 2022 soliciting public comments on the proposals made therein. A copy of the consultation paper is attached as **Annexure- I**.

3.2. The said consultation paper *inter-alia* proposed the following three approaches to regulate the EOPs:

- **Approach 1:** Mandating EOPs to obtain SEBI registration as an intermediary under separate regulations for EOPs wherein the EOP shall act as an agent of investors by entering into an agreement with each investor with minimum mandatory terms and conditions. EOPs may receive transaction-based fees only from the clients and no consideration may be received from AMCs.

- **Approach 2:** Mandating EOPs to obtain registration from AMFI wherein the EOPs shall act as an agent of an AMC by entering into a contract with the AMCs. EOPs may receive transaction-based fees only from AMCs and in the manner specified by AMFI.

- **Approach 3**: Mandating EOPs to obtain limited-purpose membership with SEs wherein the EOPs shall act as an agent of investors by entering into an agreement with each investor. EOPs may receive transaction-based fees only from the clients and no consideration may be received from AMCs.

3.3. More than forty responses (summary at **Annexure II)** to the consultation paper were received from the public including various stakeholders such as AMFI, SEs, AMCs, RTA, intermediaries etc., who are directly or indirectly impacted due to the proposed amendment. There were observations made in the media also.

3.4. Based on the responses received with respect to the consultation paper and internal discussions, the matter was again placed before the MFAC on September 23, 2022 for *inter-alia* deliberating on the different approaches proposed in the consultation paper. The recommendation of MFAC is included in the discussion in the relevant subsequent paragraphs.

4. Recently, SEBI has introduced a regulatory framework for Online Bond Platform Providers (OBPPs), wherein "Online Bond Platform" (OBP) means any electronic system, other than a recognised SEs or an electronic book provider platform, on which the debt securities which are listed or proposed to be listed, are offered and transacted. Hence, such platforms are similar to the technology platforms provided by EOPs. Under the prescribed framework, the OBPPs have been mandated to *inter-alia* register as a stock broker in the debt segment under the SEBI (Stock Brokers) Regulations, 1992.

5. Proposed regulatory changes pursuant to the consultation process

Taking into consideration the comments received on the consultation paper from various market participants, media comments, recommendations of the MFAC and based on further internal discussions, the following regulatory changes are proposed:

5.1 Legal structure

5.1.1. Suggestion in the Consultation paper:

The consultation paper proposed *inter alia* three approaches to regulate the EOPs as described at para 3.2 above and sought views on the proposed approaches (1,2 or 3) with rationale for the same. Comments were also sought on whether more than one approach can work simultaneously.

5.1.2. Public Comments

5.1.2.1. Total 31 comments were received regarding the proposal for a suitable approach. The comments received in favour of each approach are as under:

<table>
<tr><td colspan="4">No. of entities commented - 31</td></tr>
<tr><td></td><td>Comments in favor</td><td colspan="2">No. of comments</td></tr>
<tr><td>Approach 1</td><td>12</td><td rowspan="3">Only in favor of approach 1 - 3
Only in favor of approach 2 - 12
Only in favor of approach 3 - 5</td><td rowspan="3">Either Approach 1 or 2- 2
Either Approach 1 or 3- 6
Either Approach 2 or 3- 2
Any of the three-1</td></tr>
<tr><td>Approach 2</td><td>17</td></tr>
<tr><td>Approach 3</td><td>14</td></tr>
</table>

Though highest number of comments were received in favour of Approach 2 i.e., EOP as an agent of AMC, all three approaches received comparable number of comments in favour. The main comments received are summarised as under:

I. <u>Regarding EOP as an intermediary under Approach 1</u>

a) Approaches 1 & 3 would necessitate entering multitude of agreements with the clients.

b) The industry already offers free transaction portals to investors, cost of which is borne by the industry. Adding another layer to these existing facilities is not advisable, especially since the industry will have no control over their costs.

c) If EOPs are made agents of AMCs and receive payment from them, costs for the same will be borne by the direct plans, increasing the cost for all direct investors. As a result, investors not using EOPs (for transactions in direct plans) will be subsidising those using EOPs, which is not desirable.

Concerns raised under Approach 1

Presently SE platforms and MFU are being paid by AMC and hence, charging the investors for the on boarding and transactions cost may not be favourable for the EOP ecosystem to grow.

II. Regarding EOP as an AMFI registered agent of AMC under Approach 2

a) Those in favour of Approach 2 have commented that as AMFI already has an established process in place for regulating and monitoring MFDs, same can be leveraged to cover EOPs.

b) A distinction is required to be made between payment of services for MFDs and EOPs wherein payment ought to be made by AMCs and not charged to the Mutual Fund schemes. Investor should also not pay any fees/charges as it would defeat very purpose of direct plan.

c) AMCs may pay the EOPs based on the transactions routed through such EOP, as AMCs also benefit from the transactions garnered by EOPs. This approach will maintain the status quo especially as regards Net Asset Value (NAV) of the direct funds concerned and will infuse little to no disruption. Also, there will be savings in prohibitive cost of entering into various agreements and will make the process easier and scalable.

Concerns raised under Approach 2

a) If the AMCs have to pay the transaction fee to the EOP, unless such fee is stipulated and fixed at an industry level by AMFI, it is likely to have a bearing on the unbiased nature of the “Execution Only” services provided by the EOP.

b) If the EOP's incentive paid by AMCs is linked to transactions, it is likely to result in practices that may lead to an increase in frequency of the number of transactions.

c) EOPs will only provide products of AMCs they have tied up with and the investors will not have a choice of products of all the AMCs to select from.

III. Regarding EOP as limited purpose member of SEs and agent of investor

a) Investors have faith in the SEs, and this would attract more investors into Mutual Funds.

b) The extant regulatory framework for inspection/ customer grievance and risk management at the SEs can be leveraged.

c) EOPs who are not brokers would also be able to provide the execution services as limited members of the SEs under which they get access only to the Mutual Funds platforms of the said SEs.

Concerns raised under Approach 3

- SEs already have platforms similar to EOPs and if SEs are the governing entities too, it will induce a very big conflict of interest. This will result in poor governance and industry's resistance to adoption.

5.1.2.2. Further, it has been suggested that a single approach for regulating EOPs may be adopted to avoid confusion.

5.1.3. Consideration of issues

5.1.3.1. Considering the growth of transaction in direct plans of Mutual Fund schemes, there is a scope for the growth of platforms providing execution services in direct plans of Mutual Fund schemes. Having multiple avenues available for investment in direct plans may further help in penetration of the Mutual Funds.

Further, investment in technology and infrastructure by the proposed EOPs may lead to better experience for the investors investing in direct plans of Mutual Fund scheme.

5.1.3.2. The transactions routed through EOPs benefit both investors and AMC, where investor is getting convenience and a user-friendly interface for investment in direct plans of Mutual Fund schemes and AMCs are receiving investments in their schemes.

5.1.3.3. MFAC in this regard recommended that SEBI may decide on the suitable approach to regulate EOPs so as to ensure investor protection and fixing of accountability for the activities undertaken by EOPs. MFAC was also of the view that the choice of availing service of an EOP lies with the investor and accordingly, convenience charges, if any, for such service may be borne by the investors. It was also recommended by MFAC that a hybrid model can be explored wherein payments are made partly by AMC (viz, on-boarding costs) and partly by investors (convenience charges).

5.1.3.4. It cannot be denied that there are benefits and concerns with respect to both the models i.e., EOPs being agent of investors to be paid by investors and EOPs being agent of AMCs to be paid by AMCs. Considering that the EOP concept is fairly new and may develop further with time, it may be prudent that the entities providing such services may be provided with an option to choose which role they want to undertake i.e., as agent of investor or agent of AMC. Consequently, based on the service provided by EOPs, investors shall also have an option to choose the EOP which is better suited as per their requirements.

5.1.3.5. Presently, there are broadly two types of platforms other than AMC websites/offices, which provide execution services to investors in direct plans of Mutual Fund schemes:

Type 1: Platforms, which provide services to investors directly or indirectly, such as platforms provided by SEs, RTAs and others including MF Utilities India Pvt. Ltd. and MF Central. Such platforms, where investors as well as other intermediaries can place requests for transactions, act as aggregators of the transactions in direct plans of Mutual Fund schemes and are integrated with AMCs.

Type 2: Platforms provided by IA/SBs which service investors directly for transacting in direct plans. Such IA/SBs may however avail services of the aggregating platforms under Type 1 for servicing investors on respective platforms.

5.1.3.6. Platforms under Type 1 are presently operating as agents of the AMCs, which is similar to the regulatory approach proposed in the Consultation paper under Approach 2. Similarly, platforms provided by IA/SBs are essentially agents of investors, as was proposed under Approaches 1 and 3 in the Consultation paper and payments, if any are made by respective investors as per the applicable Regulations.

5.1.3.7. Presently, only a limited number of aggregating platforms as mentioned under Type 1 above exist which exposes the system to concentration risk. Thus, having more Type 1 platforms will reduce concentration risk, increase the scope for innovation using technology and also provide multiple avenues for the investors to invest in direct plans of Mutual Fund schemes.

5.1.3.8. As regards Type 2 platforms provided by IA/SBs discussed above, they are presently operating as agents of the investors which is similar to the regulatory approach proposed in the Consultation paper under Approaches 1 and 3. With respect to Approach 3, MFAC was of the view that in case EOPs with limited purpose membership with SEs desire to have direct integration with the AMC without the involvement of SE platforms, then SEs may find it difficult to enforce the regulatory framework. Further, allowing an EOP to service

investors only through a limited purpose membership with the SEs but without any registration with SEBI /AMFI, wherein the SEs themselves are providers of similar platforms, may give rise to conflicts of interest and hence, not be a feasible option.

5.1.3.9. The activity of execution only service in direct plans of Mutual Fund schemes is more suited to the core activity of a SB than an IA. As suitable risk management and preventive measures which are relevant for the EOPs are already in place for the SBs (who can also provide execution services in Mutual Funds to its broking clients), EOPs desirous of operating as agent of investors may be required to register under SEBI (Stock Brokers) Regulations, 1992. Also, considering the nature of services envisaged for EOPs, they may be mandated to obtain registration under a new segment under the SEBI (Stock Brokers) Regulations, 1992.

5.1.3.10. Further, considering that services of EOP enable AMCs to reach out to larger number of investors, a hybrid model of charging fees may be considered for EOPs as SBs wherein on-boarding fees, if levied, may be borne by the AMC and/or investors and the transaction fees, if levied, may be borne by the investors within upper limit as may be specified by SE in consultation with SEBI. However, such fees may not be charged to the Mutual Fund scheme. Detailed proposal in this regard is discussed at para 5.4.4.1 (c) and 5.4.4.2 (c).

5.1.3.11. As regards platforms desirous of operating as Type 1 platforms, they may be mandated to take a registration from AMFI and act as agent of AMC. Further, they may receive from the AMCs, a flat transaction fee (not ad-valorem), if levied, within upper limit as may be specified by AMFI in consultation with SEBI.

5.1.3.12. In view of the above, there may be two models under the proposed framework for EOPs i.e., EOP as an agent of AMC (hereinafter referred to as “Category 1 EOP”) and EOP as an agent of investor (hereinafter referred to as “Category 2

EOP"). It is proposed that to begin with the EOPs may choose only one of the two models to provide execution only services. Based on market feedback and experience, if required, it may be subsequently considered to allow an EOP to operate under both the models subject to appropriate and relevant norms like investor level segregation, as deemed fit.

5.1.4. Proposal

5.1.4.1. Under the proposed framework for EOPs, they may be regulated under the following two categories:

a) **Category 1 EOP**: As agent of AMCs, EOPs may be registered with AMFI and AMCs may pay flat transaction fee (not ad-valorem), if levied, by such EOPs within upper limit as may be specified by AMFI in consultation with SEBI. Such EOPs may act as an aggregator of the transactions in direct plans of Mutual Fund schemes and may provide services to investors/other intermediaries. SEBI may issue a broad framework for Category 1 EOPs by way of a circular and AMFI, in consultation with SEBI, may specify requirements such as eligibility norms, fee cap, cybersecurity requirements, grievance redressal mechanism and other modalities in this regard.

b) **Category 2 EOP**:

i. As agent of investors, EOPs may be registered as stock brokers under SEBI (Stock Brokers) Regulations, 1992 and may obtain membership under a new segment of SEs viz., 'Execution Only Platforms'. It is proposed that the provisions of the SEBI (Stock Brokers) Regulations, 1992 may be suitably amended to enable EOPs to get registered as stock brokers in this new segment.

ii. Such EOPs may be paid by both investors and AMCs wherein on-boarding fees, if levied, may be borne by the AMC and/or investors and a flat transaction fees (not ad-valorem), if levied, may be borne by the investors, within upper limit as may be specified by SE in consultation with SEBI. Further, EOPs under

this category may not act as aggregator of the transactions in direct plans of Mutual Fund schemes and may provide services to investors only. The details in this regard may be specified by SEBI by way of a circular.

c) EOPs may choose only one of the two models to provide execution only services

5.2 Scope, legal form and other requirements for EOPs:

5.2.1 Suggestion in the Consultation paper

5.2.1.1 The consultation paper *inter alia* proposed as under:

a) EOPs may provide both financial services viz. purchase, redemption of Mutual Fund units, etc. and non-financial services viz. change of email id/contact number/bank account details, complaints, etc.

b) Only a body corporate may be eligible to obtain registration as EOP under respective approaches.

c) Such body corporate may or may not carry out other activities. If carrying out other activities as well, EOPs may be required to maintain an arm's length relationship by providing EOP services through a separately identifiable EOP department or division.

d) Since EOPs mainly operate through digital/technological platforms, additional requirements related to cybersecurity need to be prescribed.

e) EOPs may be mandated to ensure client level segregation w.r.t their activities as EOP, IA/SB/PM and MFD activities.

f) Client onboarding:

i. Under Approach 1 and 3: Mandatory agreement or terms and conditions document between EOP and client at the time of onboarding and EOP to be responsible for ensuring compliance with KYC requirements.

ii. Under Approach 2: No requirement of agreement between investor and EOP. AMCs to be responsible for ensuring compliance with KYC requirements and investors to be on- boarded by complying with the required KYC process and verification as applicable for all Mutual Funds investors including MFD clients.

5.2.1.2 In this regard, the consultation paper *inter alia* sought views on the following:

a) Under Approach 1 and 3, what should be the key principles of the agreement between the investor and the EOP? Whether additional conditions/requirements, if any, apart from cybersecurity-related requirements need to be specified?

b) If the same entity is allowed to offer EOP services under all three approaches then whether a segregation in terms of manpower, infrastructure etc., should be mandated?

c) If the same entity is allowed to offer EOP services under all three approaches, then whether client level segregation among its activities as EOP under different approaches and AMC level segregation (i.e., the product of one AMC can only be offered under one approach) should be mandated?

5.2.2 Public Comments

5.2.2.1 **Scope of service**

a) Most of the comments suggested that EOP must be allowed to offer both financial and non-financial services to the clients, including client on boarding.

b) EOP's role should be restricted to the execution of transaction only and marketing activities may not be permitted. No recommendation, rating, information related to the fund's performance should be given by the EOP.

c) Financial assets/products other than Mutual Funds should not be prohibited to enable such transactions on such platforms. Few comments suggested that EOPs should also be allowed to offer regular plans.

5.2.2.2 **Client On-boarding and requirement of agreement:** While some have suggested details with respect to terms of the agreement for EOPs, there were also comments suggesting that there should be a simplified form of “Service Agreements” or “Right and obligation” documents with defined scope, roles and responsibilities, fees and other relevant terms and conditions entered into between the investors and EOP. It is suggested that it will be more convenient if such agreements are signed or acknowledged by customers digitally instead physically. EOP may be allowed to share Right and obligation documents with the Client agreeable under click -wrap arrangement while maintaining a proper audit trail.

5.2.2.3 **Cyber security:** It has been broadly agreed that EOPs should be required to comply with cyber security requirements in line with circulars issued for Stock Brokers. It is also suggested that audit requirements should be prescribed for EOPs.

5.2.2.4 **Segregation**

a) Most of the comments have suggested that the same business entity should not be allowed to offer EOP services through different modes and only one approach should be permitted.

b) If EOP is considering other business/activities, there should be an arm's length relationship/chinese wall between EOP and such other activities.

c) While segregation of manpower involved in servicing the clients is ideal, other functions such as product, operations, technology infrastructure may be allowed to be shared to ensure that the model is not cost prohibitive.

5.2.2.5 **Client level segregation**

a) Most of the entities have suggested that there should not be any client level segregation between broking/IA/PM division and EOP division as transactions in Mutual Funds for both advisory and execution products co-exist, which must be encouraged for the overall growth of Mutual Fund segment.

b) Segregation may be viewed at a transaction level rather than at a client level, with revenue being charged only on one side of the transaction.

5.2.3 Consideration of issues

5.2.3.1 **Scope of Service**

a) MFAC was of the view that EOPs may be allowed to offer both financial and non-financial services to investors, however in view of concerns regarding preferential treatment and misleading disclosures, it was recommended that EOPs may not be permitted to carry any advertisements, show past performance data, rating and rankings of the schemes on their platforms.

b) MFAC recommendation may be accepted with respect to scope of services and prohibition on advertisement. Accordingly, EOP may not be allowed to display any advertisements regarding any Mutual Fund schemes. Further, they may not be allowed to display any proxy/surrogate/common brand related advertisements on their platforms.

c) However, as the EOPs are envisaged to be platforms for self-directed investors, in order to facilitate such investors to make an informed decision in an impartial manner, EOPs may provide an interactive tool for the investors to screen/filter various schemes based on the criteria selected by the investor including past performance, AUM, etc., EOP may ensure that there is no auto display of recommendation or ranking of any of the schemes. If the criteria for selection includes research reports or opinions, the same should be only by SEBI registered intermediaries alongwith suitable disclosures regarding the source. Further, EOPs may ensure that the said tool does not itself provide any

research reports or opinions or perform any research based or investment advisory activity.

d) Further, EOPs may also be mandated to display in a user-friendly manner, the factual information pertaining to Mutual Funds as available on public domain including past performance of Mutual Fund schemes.

e) As the framework for EOPs is being considered for facilitation of execution services only in direct plans of Mutual Fund schemes, the services provided by EOPs may not be extended to regular plans of Mutual Fund schemes.

f) With respect to KYC requirements, Category 2 EOPs as a SEBI registered intermediary may be enabled to access the relevant data with KYC Registration Agencies (KRAs) for on-boarding investors for respective platforms. However, for both Category 1 and 2 EOPs, the responsibility of ensuring compliance with KYC requirements for transactions in Mutual Funds shall be that of the concerned AMCs only.

g) As regards the legal form, since EOPs are envisaged to be technology oriented platforms requiring an organisational set-up to operate, only body corporates may be considered eligible for registration under both Category 1 EOP and Category 2 EOP.

5.2.3.2 **On-boarding and requirement of agreement:** In cases where the EOPs act as agent of investors, the minimum terms and conditions of their service would need to be defined before investors agree to avail their services. In this regard, MFAC has recommended that an agreement with investor may not be insisted upon as EOPs would only provide basic execution services to them. While we may accept the recommendations of MFAC, so as to enable investors to have a document in place which will provide them with a legal recourse, if the need arises, it is proposed as under:

a) For Category 1 EOPs: While an agreement with investor may not be mandated, before offering products of any AMC on its platform, EOP may enter into a written agreement with concerned AMC that clearly defines their inter-se relationship and sets out their mutual rights, liabilities and obligations relating to such assignments.

b) For Category 2 EOPs: Since EOP will be registered as stock broker, investors may sign a rights and obligation document before availing the services.

5.2.3.3 **Cyber security:** As the EOPs shall provide services through digital and technology-based platforms, MFAC recommended that strong cybersecurity and IT infrastructure framework may be mandated. We may accept the recommendations of MFAC and for Category 1 EOPs, AMFI in consultation with SEBI may prescribe minimum requirements. For Category 2 EOPs, they may be mandated to adopt cybersecurity requirements prescribed for stock brokers.

5.2.3.4 **Segregation from other activities and investor level segregation:**

a) MFAC recommended that EOPs may be mandated to maintain an arm's length relationship and investor level segregation, if performing multiple activities. In order to address the concerns related to conflicts of interest which may inherently exist in case an EOP undertakes other activities, recommendation of MFAC may be accepted.

b) It may also be mandated that SEBI / AMFI registration as an EOP may be used only for the purpose of providing execution only services in direct plans of Mutual Fund schemes. In case the EOPs desire to provide services regulated / permitted under other sectoral regulators, the same may be undertaken only with specific disclosure that the same is not covered under the ambit of EOP registration and details of registration/permissions by other such regulators

may be clearly disclosed. Further, EOP registration may not be used for undertaking any unregulated activity.

c) As has been recommended by MFAC, it is desirable that an EOP has investor level segregation between its services as an EOP and other services such as commission-based distribution, wherever there is an issue of conflict of interest. In view of the same, there may be investor level segregation at a group level, i.e., the same investor cannot be accepted for offering both EOP and distribution services within the group of the EOP. Thus, an investor may either be availing EOP services for transacting in direct plans at the group level or an investor availing distribution services for regular plans at the group level. In this regard, the term "Group" may have the same meaning as defined in Regulation 22(3)(iii) of the SEBI (Investment Advisers) Regulations, 2013.

d) Further, the PAN of each investor may be the control record for identification and investor level segregation at EOP's end. In case of an individual investor, "family of investor" may be reckoned as a single investor and PAN of all members in "family of investor" may jointly and severally be the control record. The definition of "family of investor" may be in line with definition of the term "family of client" in SEBI (Investment Advisers) Regulations, 2013 and may include individual investor, dependent spouse, dependent children and dependent parents.

5.2.4 Proposal

5.2.4.1 **Both Category 1 and Category 2 EOPs may mandatorily be required to be body corporates and further may:**

- Provide execution services in only direct plans of Mutual Fund schemes.

- Offer both financial and non-financial services in direct plans of Mutual Fund schemes.

- Display in a user-friendly manner, the factual information pertaining to Mutual Funds as available on public domain including past performance of Mutual Fund schemes.

- Not be allowed to display advertisements regarding any Mutual Fund schemes. Further, they may not be allowed to display any proxy/surrogate/common brand related advertisements on their platforms

- Provide an interactive tool for the investors to screen/filter various schemes based on the criteria selected by the investor including past performance, AUM, etc., Ensure that there is no auto display of recommendation or ranking of any of the schemes. If the criteria for selection includes research reports or opinions, the same may be only by SEBI registered intermediaries alongwith suitable disclosures regarding the source. Further, ensure that the said tool does not itself provide any research reports or opinions or perform any research based or investment advisory activity.

- Comply with cyber security requirements as may be prescribed by SEBI and AMFI in consultation with SEBI.

- SEBI / AMFI registration as an EOP may be used only for the purpose of providing execution only services in direct plans of Mutual Fund schemes. In case the EOPs desire to provide services regulated / permitted under other sectoral regulators, the same may be undertaken only with specific disclosure that the same is not covered under the ambit of EOP registration and details of registration/permissions by other such regulators may be clearly disclosed. Further, EOP registration may not be used for undertaking any unregulated activity.

- Maintain arm’s length relationship, if performing multiple activities in the same entity, so as to avoid conflicts of interests.

- Maintain investor level segregation between EOP services and distribution service at EOP's group level. Further, for this purpose, the family of the investor may be reckoned as a single investor. The definition of "group" may have the same meaning as defined in SEBI (Investment Advisers) Regulations, 2013. The definition of "family of investor" may also be in line with definition of the term "family of client" in SEBI (Investment Advisers) Regulations, 2013 and may include individual investor, dependent spouse, dependent children and dependent parents.

5.2.4.2 Category 2 EOPs as a SEBI registered intermediary may be enabled to access the relevant data with KYC Registration Agencies (KRAs) for on-boarding for respective platforms. However, for both Category 1 and 2 EOP, the responsibility of ensuring compliance with KYC requirements for transactions in Mutual Funds shall be that of the concerned AMCs.

5.2.4.3 Category 1 EOP may be mandated to enter into written agreement with AMC and there may be a rights and obligation document signed by the clients incase of Category 2 EOPs.

5.2.4.4 The above requirements at paras 5.2.4.1-5.2.4.3 may be specified by SEBI by way of a circular. AMFI in consultation with SEBI may further specify cyber security requirements for Category 1 EOPs.

5.3 Conditions for registration including eligibility criteria

5.3.1 Suggestion in the Consultation paper

5.3.1.1 The consultation paper *inter alia* proposed as under:

Net worth, infrastructure, manpower and fit and proper criteria: As the investors would be relying on EOPs to execute transactions, in order to ensure continuity and provide assurance to investors that the entity is equipped in all respects, it is felt that EOPs need to be adequately capitalized in addition to other infrastructure requirements which should not be prohibitively high to deter small serious players or be anti-competitive. Further, considering the

technology-driven approach of EOP business, adequate checks and balances with respect to cybersecurity, data processing, and data privacy become important.

- **Under Approach 1**: EOP may be mandated to have a minimum net worth which would ensure capital commensurate with the required scale of operations and infrastructure and future growth projections. An EOP may be required to have adequate infrastructure which may include, but not limited to, appropriate technological, operational, legal, and financial systems and resources. Further, the "fit and proper person" criteria as prescribed in Schedule II of SEBI (Intermediaries) Regulations, 2008 shall be applicable to EOPs.

- **Under Approaches 2 & 3:** AMFI and SEs may prescribe minimum requirements for EOPs on similar lines as under Approach 1 to register or provide limited purpose membership with them respectively.

5.3.1.2 Views were sought on whether additional conditions/requirements, if any, need to be specified? For instance, minimum qualifications/experience of promoters and key management personnel.

5.3.2 Public Comments

5.3.2.1 The majority of comments have suggested that prescribing fit and proper requirements, net worth requirement and other criteria may be sufficient for EOPs.

5.3.3 Consideration of issues

5.3.3.1 As the investors would be relying on EOPs to execute Mutual Fund transactions, in order to ensure continuity and provide assurance to investors that the entity is equipped in all respects, EOPs need to be adequately capitalized. Considering that the EOP provide services online, significant investment in the IT infrastructure is required. In this regard, MFAC has also

recommended that as EOPs provide service through digital/online mode, strong cybersecurity and IT infrastructure framework is required and hence, a minimum networth criteria for registration may be mandated, though no specific threshold was suggested in this regard.

5.3.3.2 In this regard, with respect to Category 2 EOPs, pursuant to recent amendments, the extant provisions for stock brokers do not mandate segment wise networth requirements for trading members. There is a requirement to comply with specified base networth or variable networth, whichever is higher. While the base net-worth prescribed in this regard is INR 1 Crore, the variable networth has to be 10% of average daily cash balances of clients retained with the stock brokers across segments/SEs in previous 6 months. Considering that EOPs under both categories are not envisaged to pool funds or securities on behalf of the clients or retain any cash balances of clients, the concept of variable networth may not be required for them. Thus, in view of the nature of services envisaged for EOPs, they may be mandated to comply with requirement of base net-worth under the proposed new segment, as specified under SEBI (Stock Brokers) Regulations, 1992.

5.3.3.3 Apart from the networth requirements, the extant regulations for stock brokers also prescribe requirements for deposit as well as fees to be paid to SEBI, depending on the segment-wise membership of the SEs There are also requirements for stock brokers to maintain given list of records and documents for a specified period. In this regard, considering the nature of services envisaged for EOPs, suitable amendments in SEBI (Stock Brokers) Regulations, 1992 may be considered so that specific requirements with respect to deposit, fees and maintenance of records for proposed EOP segment under Category 2 EOPs may be prescribed by SEBI separately, after due consultation with the stakeholders.

5.3.3.4 As regards Category 1 EOPs, AMFI in consultation with SEBI may prescribe similar eligibility criteria including for net worth.

5.3.3.5 With respect to infrastructure requirements, apart from cyber security related requirements applicable for stock brokers, relevant requirements in line with the requirements specified for OBP may be considered for Category 2 EOPs. SEBI may specify the same by way of circular. For Category 1 EOPs, AMFI in consultation with SEBI may prescribe similar requirements.

5.3.3.6 With respect to key management personnel, similar to requirements specified for OBP, EOPs may be mandated to appoint a Compliance officer and two qualified personnel (professional qualification in finance, accountancy, law, engineering, company secretary ship or management) with three years of experience each in securities market. AMFI may prescribe above requirements for Category 1 EOPs and for Category 2 EOPs, SEBI may mandate the same by way of a circular.

5.3.3.7 Further, Category 2 EOPs would need to be in compliance with the “fit and proper person” criteria as prescribed in Schedule II of SEBI (Intermediaries) Regulations, 2008. For Category 1 EOPs, AMFI may devise minimum requirements on similar lines.

5.3.4 Proposal

5.3.4.1 It is proposed as under for Category 2 EOP:

a) The provisions of SEBI (Stock Brokers) Regulations, 1992 may be suitably amended to provide that EOPs under the proposed new segment may only comply with requirement of base net-worth of INR 1 crore and the variable net worth requirement may not apply to EOP segment.

b) The provisions of SEBI (Stock Brokers) Regulations, 1992 may be suitably amended so that specific requirements with respect to deposit, fees and maintenance of records under proposed EOP segment for Category 2 EOPs may be prescribed by SEBI separately, after due consultation with the stakeholders.

c) Infrastructure requirements in line with requirements specified for OBP may be specified for EOPs by SEBI by way of a circular.

d) EOPs may be mandated to appoint a Compliance officer and two qualified personnel (professional qualification in finance, accountancy, law, engineering, company secretary ship or management) with three years of experience each in securities market. SEBI may mandate the same by way of a circular.

e) EOPs may be required to be in compliance with the "fit and proper person" criteria as prescribed in Schedule II of SEBI (Intermediaries) Regulations, 2008.

5.3.4.2 For Category 1 EOP, AMFI, in consultation with SEBI, may prescribe requirements for registration similar to Category 2 EOPs.

5.4 General obligations and responsibilities

5.4.1 Suggestion in the Consultation paper

5.4.1.1 The consultation paper proposed as under:

a) **Visibility of transactions and use of data (Data Sharing)**

The EOP may have the visibility of the client's transaction data feeds from RTAs for the transactions executed through their platform. The SEBI / AMFI registration number or limited purpose membership number provided by SEs may be used as the code to get such data from RTAs/SEs. Further, under Approaches 1&3, as an agent of investor, EOP may use the data of the execution-only client for all legal purposes in line with the agreement with the client. Under approach 2, EOP to use the client's data as per terms of the contract with AMCs or as per AMFI guidelines on the same.

b) **Service agreement:** Under Approaches 1 & 2, the EOP may enter into a contractual agreement with AMCs or RTAs/Depositories (if so authorized by

an AMC) to integrate their systems and to provide execution services in direct plans of Mutual Funds. Under Approach 3, the EOP may enter into a contractual agreement with SEs to integrate their systems and to provide execution services in direct plans of Mutual Funds. In turn, the SEs have a contractual agreement with the AMCs or RTAs /Depositories (if so authorized by an AMC).

c) **Fees:** Under Approaches 1 and 3, EOPs may receive transaction-based fees only from the clients and no consideration may be received from AMCs. Under Approach 2, EOPs may receive payments only from AMCs and in the manner specified by AMFI.

5.4.1.2 The consultation paper sought views on the following:

a) Whether the proposed norms relating to general obligations and responsibilities of EOPs are adequate? Whether an upper limit(s) be prescribed for a transaction-based fee under Approach 1 and 3?

b) What should be the investor related data sharing policy between the EOP department/division and other parts of the body corporate? Should data sharing be permitted among EOP, MFD and IA/SB/PM divisions of a body corporate?

5.4.2 Public Comments

5.4.2.1 **Visibility of transactions**

a) Most of the comments have suggested that EOPs should have visibility of their client's transactions.

b) While it is mentioned that the EOP using SEBI/SE registration number can obtain the data feeds from the RTAs/SEs, it is also highlighted that the same needs to be strongly conveyed to the RTA's as the data feeds are usually not

passed on without entering into an agreement with the AMC/RTA. This would defeat the purpose of the registration with SEBI/SE.

c) Visibility may be provided for transactions routed through other entities also.

5.4.2.2 **Sharing of data**

a) Most of the comments suggested sharing of data should be allowed only with the consent of the client clearly defining where/how his data will be used for & purpose of usage should be allowed. The information should be shared on need-to-know basis only.

b) Some of the entities have suggested that a free flow of data within the same entity especially between RIA and EOP should be allowed.

5.4.2.3 **Agreement with AMC**: It is suggested that broad principles may be defined by SEBI to be adopted by all Platforms.

5.4.2.4 **Fees**

a) Some comments in favor of EOP as agent of investor suggested that SEBI may guide the market by providing a range of transaction-based fee (floor and ceiling) to be charged by EOPs to AMCs (instead of the client) for providing such services. The minimum fee should be able cover the expenses along with sufficient business margin in order to provide a pleasant overall experience to the client.

b) Comments in favor of EOP as an agent of investor suggested that as SB/RIAs are mandated to take fees from the client, the same process should continue under framework for EOPs also as Mutual Funds industry has already enabled multiple free of cost models for investors to transact at their cost (e.g., MFU, MF Central, AMC portals, RTA portals, etc.). Since it is the investor's choice to not avail the platforms already provided by the Mutual Funds industry free of

cost to the investor and avail the services of a particular EOP, the cost of transacting through such EOP should be borne by the investor.

5.4.3 Consideration of issues

5.4.3.1 **Visibility of transactions:** MFAC has recommended that EOPs may be allowed to have visibility of investor's transactions executed through their platform. MFAC recommendation may be accepted and EOP may have the visibility of the investor's transaction data feeds for the transactions executed through their platform as the same shall facilitate EOPs to provide the investors with the said details.

5.4.3.2 **Sharing of data:** MFAC has recommended that the data sharing among other departments/divisions and other parts of the body corporate may be allowed only with the specific consent of the investor. MFAC recommendation may be accepted so as to protect the privacy and maintain confidentiality of investor information. Further, the same principle may apply for data sharing within the group of EOPs or with any third party.

5.4.3.3 **Service agreement:** As agent of AMCs, Category 1 EOPs may enter into service agreement directly with AMC to integrate their platforms to provide service. However, for Category 2 EOPs, they may enter into service agreements with SEs for providing services.

5.4.3.4 **Fees**:

a) As proposed at para 5.1.4.1 above, Category 1 EOP as agent of the AMCs may receive payments from the AMCs and Category 2 EOP as agent of investors may receive payments from AMC and/or investors. However, any such fees may not be charged to the mutual fund scheme.

b) Further, as EOPs are only providing execution services, to ensure that reasonable charges are levied by the EOPs, transaction-based flat fees (not ad valorem) may be desirable based on the cost incurred by EOP for such activity.

MFAC also recommended that if EOPs are allowed to charge the investors, then a suitable limit on the transaction fees may be specified.

c) Accordingly, for Category 1 EOPs, AMCs may pay flat transaction fee (not ad-valorem), if levied, by such EOPs within upper limit as may be specified by AMFI in consultation with SEBI. For Category 2 EOPs, on-boarding fees, if levied, may be borne by the AMC and/or investors and a flat transaction fee (not ad-valorem), if levied, may be borne by the investors, within upper limit as specified by SE in consultation with SEBI.

5.4.4 Proposal

5.4.4.1 **Category 1 EOP may:**

a) Have visibility of the investor's transaction data feeds from RTAs for the transactions executed through their platform.

b) Share investor data with other departments/divisions of the body corporate, group entities and/or with any third party, with specific investor consent.

c) Enter into an agreement with AMC for providing services and AMCs may pay flat transaction fee (not ad-valorem), if levied, by such EOPs within upper limit as may be specified by AMFI in consultation with SEBI.

5.4.4.2 **Category 2 EOP may:**

a) Have visibility of the investor's transaction data feeds from RTAs for the transactions executed through their platform.

b) Share investor data with other departments/divisions of the body corporate, group entities and/or with any third party, with specific investor consent.

c) Enter into an agreement with SE for providing services and may be paid by both investors and AMCs wherein on-boarding fees, if levied, may be borne by the AMC and/or investors and a flat transaction fees (not ad-valorem), if levied, may

be borne by the investors, within upper limit as may be specified by SE in consultation with SEBI.

5.5 Grievance Redressal

5.5.1 Suggestion in the Consultation paper

5.5.1.1 The consultation paper proposed as under:

i. Under Approach 1: Grievance redressal mechanism can be similar to as prescribed for other SEBI registered intermediaries (through SCORES).

ii. Under Approach 2: Grievance redressal mechanism can be similar to as prescribed by AMFI for MFDs.

iii. Under Approach 3: Grievance redressal mechanism can be as prescribed by SEs in consultation with SEBI.

5.5.1.2 The consultation paper sought comments on whether the proposed norms relating to grievance redressal are adequate?

5.5.2 Public Comments

While most of the comments have found the norms specified in the consultation paper to be adequate, it has also been suggested that additional safeguards may be considered regarding compensation to investors in certain cases such as missed transactions, time taken for sending request to RTA, delayed NAV etc, due to mistakes of EOP.

5.5.3 Consideration of issues

a) The grievance redressal mechanism for Category 1 EOPs may be on same lines as presently applicable for MFDs wherein EOPs being agent of AMCs shall be monitored by AMCs to ensure compliance with code of conduct and other guidelines. Further, any complaint against EOP may be required to be examined

and dealt with by AMFI in a manner similar as applicable for MFDs, including initiation of any action against EOPs, if it so warranted.

b) The grievance redressal mechanism for Category 2 EOPs may be as prescribed for other SEBI registered intermediaries (i.e., through SCORES, mediation and arbitration mechanism).

5.5.4 Proposal

5.5.4.1 Category 1 EOP: Grievance redressal mechanism similar to as prescribed for MFDs may be prescribed by AMFI in consultation with SEBI.

5.5.4.2 Category 2 EOP: Grievance redressal mechanism similar to as prescribed for SEBI registered intermediaries (through SCORES, mediation and arbitration mechanism) may be applicable to EOPs. The details in this regard may be specified by SEBI by way of a circular.

5.6 Existing platforms

As mentioned at para 5.1.3.5, presently there exist certain platforms which provide services similar to proposed Category 1 EOP. Under the proposed framework for EOPs, such platforms viz, MF Utilities India Pvt. Ltd., MF Central (RTAs), platforms provided by RTAs etc, may be mandated to obtain suitable registration under either of the categories of EOP. Further, while registration as EOP may not be insisted upon for the platforms provided by Market Infrastructure Institutions such as the SEs, they may be mandated to choose to be compliant with either Category 1 or Category 2 EOP requirements specified by SEBI/AMFI from time to time.

5.7 Summary of proposals at paragraphs 5.1 - 5.5 under two categories

S. No	Category 1 EOP	Category 2 EOP
1	Agent of AMC	Agent of investor
2	Registration with AMFI	Registration with SEBI as a stock broker
3	Services may be provided through only	Services may be provided through only

	technology-based and digital platforms	technology-based and digital platforms
4	Provide services in only direct plans of MF schemes.	Provide services in only direct plans of MF schemes.
5	Will need to be a body corporate.	Will need to be a body corporate.
6	Eligibility criteria including minimum net worth, employment of key management personnel as may be prescribed by AMFI in consultation with SEBI.	Eligibility criteria including minimum net worth, employment of key management personnel as may be prescribed by SEBI
7	May transact with AMC directly	May transact on SE platform
8	May provide services to investors/other intermediaries	May provide services to investors only
9	May act as aggregator of transactions of other intermediaries	May not act as aggregator of transactions of other intermediaries
10	No agreement with the investor	Rights and Obligations document signed by the investor
11	Flat transaction fees (not ad-valorem), if levied, may be borne by AMC, within upper limit, as may be specified by AMFI in consultation with SEBI	On-boarding fees, if levied, may be borne by AMCs and/or investors and a flat transaction fee (not ad-valorem), if levied, may be borne by the investors, within upper limit as may be specified by SE in consultation with SEBI.
12	Comply with cyber security requirements as may be prescribed by AMFI in consultation with SEBI.	Comply with cyber security requirements as may be prescribed by SEBI.
13	Grievance redressal mechanism similar to as prescribed for MFDs may be prescribed by AMFI in consultation with SEBI.	Grievance redressal mechanism similar to as prescribed for SEBI registered intermediaries (through SCORES, mediation and arbitration mechanism)
14	May offer both financial and non-financial services	May offer both financial and non-financial services
15	• Display in a user-friendly manner, the factual information pertaining to Mutual Funds as available on public domain including past performance of Mutual Fund schemes. • Not be allowed to display advertisements regarding any Mutual Fund schemes. Further, they may not be allowed to display any	• Display in a user-friendly manner, the factual information pertaining to Mutual Funds as available on public domain including past performance of Mutual Fund schemes. • Not be allowed to display advertisements regarding any Mutual Fund schemes. Further, they may not be allowed to

	proxy/surrogate/common brand related advertisements on their platforms	display any proxy/surrogate/common brand related advertisements on their platforms
16	• May provide an interactive tool for the investors to screen/filter various schemes based on the criteria selected by the investor including past performance, AUM, etc., • To ensure that there is no auto display of recommendation or ranking of any of the schemes. • If the criteria for selection includes research reports or opinions, the same may be only by SEBI registered intermediaries alongwith suitable disclosures regarding the source. • To ensure that the said tool does not itself provide any research reports or opinions or perform any research based or investment advisory activity.	• May provide an interactive tool for the investors to screen/filter various schemes based on the criteria selected by the investor including past performance, AUM, etc., • To ensure that there is no auto display of recommendation or ranking of any of the schemes. • If the criteria for selection includes research reports or opinions, the same may be only by SEBI registered intermediaries alongwith suitable disclosures regarding the source. • To ensure that the said tool does not itself provide any research reports or opinions or perform any research based or investment advisory activity.
17	No pooling of funds and securities	No pooling of funds and securities
18	Visibility of the investor's transaction data feeds for the transactions executed through their platform.	Visibility of the investor's transaction data feeds for the transactions executed through their platform.
19	Share investor data with other departments/divisions of the body corporate, group entities and/or with any third party, with specific investor consent.	Share investor data with other departments/divisions of the body corporate, group entities and/or with any third party, with specific investor consent.
20	Maintain arm's length relationship, if performing multiple activities, so as to avoid conflicts of interests.	Maintain arm's length relationship, if performing multiple activities, so as to avoid conflicts of interests.
21	Maintain investor level segregation between EOP services and distribution service at EOP's group level. Further, for this purpose, the family of the investor may be reckoned as a single investor.	Maintain investor level segregation between EOP services and distribution service at EOP's group level. Further, for this purpose, the family of the investor may be reckoned as a single investor.
22	AMFI registration as an EOP may be used	SEBI registration as an EOP may be used

	only for the purpose of providing execution only services in direct plans of Mutual Fund schemes. Services regulated / permitted under other sectoral regulators, may be undertaken only with specific disclosure that the same is not covered under the ambit of EOP registration and details of registration/permissions by other such regulators may be clearly disclosed. EOP registration may not be used for undertaking any unregulated activity.	only for the purpose of providing execution only services in direct plans of Mutual Fund schemes. Services regulated / permitted under other sectoral regulators, may be undertaken only with specific disclosure that the same is not covered under the ambit of EOP registration and details of registration/permissions by other such regulators may be clearly disclosed. EOP registration may not be used for undertaking any unregulated activity.
23	The responsibility of ensuring compliance with KYC requirements for transactions in Mutual Funds shall be that of the concerned AMCs.	EOP may access the KRA data for on-boarding. However, responsibility of ensuring compliance with KYC requirements for transactions in Mutual Funds shall be that of the concerned AMCs.

6 Proposals for consideration

6.1 The Board may consider and approve the proposal to introduce a regulatory framework for EOPs.

6.2 The provisions of SEBI (Stock Brokers) Regulations, 1992 may be suitably amended to carry out the following changes:

a) To enable EOPs to get registered as stock brokers and obtain membership under a new segment of SEs viz., Execution Only Platforms.

b) To provide that EOPs under the proposed new segment may only comply with requirement of base net-worth of INR 1 crore and the variable net worth requirement may not apply to EOP segment.

c) Insert enabling provision to specify requirements with respect to deposit, fees and maintenance of records under proposed new segment.

6.3 Draft amendments to the SEBI (Stock Brokers) Regulations, 1992 and the draft notification for the proposed amendment are placed at Annexure A1 and Annexure A2 respectively.

6.4 The detailed modalities for the operation of EOPs, as mentioned at other paragraphs of this Board memorandum, may be suitably prescribed by way of a Circular.

6.5 A reasonable time period may be provided for implementation to facilitate stakeholders to have required systems in place and may be notified separately.

6.6 The Board may authorize the Chairperson to take necessary steps to implement the proposals by amending the SEBI (Stock Brokers) Regulations, 1992, with consequential and appropriate/incidental changes, as may be required and to notify the necessary regulations and/ or issue circular/(s) in this regard.

Annexure- I

The consultation paper is available at the following link:

https://www.sebi.gov.in/reports-and-statistics/reports/jul-2022/consultation-paper-on-the-framework-for-platforms-providing-execution-only-services-in-direct-plans-of-mutual-funds_61126.html

Annexure-II

(This has been excised for reasons of confidentiality).

Annexure- A1 & A2

Amendment to SEBI (Stock Brokers) Regulations, 1992 shall be notified after following the due process.