

**Securities and Exchange Board of India**  
**Memorandum No. 31/ 2024**

**Sub: Ease of Doing Business for Market Infrastructure Institutions (MIIs)**

**1. Objective**

- 1.1. This memorandum proposes amendments to Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (hereinafter referred as 'SECC Regulations, 2018') w.r.t. (a) rationalization of reporting of shareholding pattern by MIIs; (b) removal of reference of Advisory Committee from SECC Regulations, 2018 and (c) change in the name of the statutory committee i.e. Member and Core Settlement Guarantee Fund Committee.
- 1.2. This memorandum also proposes to apprise the Board of the guidelines to be issued by SEBI by way of circulars in order to ease the compliance burden of MIIs.

**2. Background**

- 2.1. To improve ease of doing business and remove obsolete compliance requirements related to activities of stock exchanges, clearing corporations and depositories (collectively referred to as Market Infrastructure Institutions (MIIs)), inputs or suggestions were sought from MIIs and members of SEBI's Secondary Market Advisory Committee (SMAC).
- 2.2. Suggestions were also invited from the public at large vide press release dated October 04, 2023 to facilitate simplifying and easing compliance and reducing cost of compliance with respect to various SEBI Regulations. SEBI received various suggestions from MIIs, other stakeholders and public at large.
- 2.3. In order to examine the suggestions, a Working Group (WG) having representation from all MIIs was constituted. Few suggestions so received were taken up with the WG to facilitate ease of compliance in the immediate short term. The recommendations of the WG (other than those pertaining to commodity derivatives segment) were placed before SMAC in its meeting held on January 25, 2024. Further suggestion for amendments to

the SECC Regulations, 2018 were also received from Industry Standards Forum (ISF) constituted by MIIs.

- 2.4. Further, it is submitted that the proposals mentioned at paragraph-3 below leading to amendments to SECC Regulations, 2018 do not affect the public at large and are related to ease of doing business of the MIIs. Hence, the need for public consultation for the said proposals was not felt.

### 3. **Part –A: Recommendations needing to amendments to SECC Regulations, 2018**

#### 3.1. **Rationalization of reporting of shareholding pattern by listed MIIs**

##### 3.1.1. Existing Regulatory Provisions

- (i) Regulation 21(1) of the SECC Regulations, 2018, inter alia, states that:

“21. (1) Without prejudice to the provisions of the Act, rules and these regulations, the recognised stock exchange(s) and the recognised clearing corporation(s) shall disclose to the Board, in the format specified by the Board, their shareholding pattern on a quarterly basis within fifteen days from the end of each quarter, including therein the following:

- (a) the names of the ten largest shareholders along with the number and percentage of shares held by them;
- (b) the names of the shareholders falling under regulations 17 and 18 who had acquired shares in that quarter.”

Note: Regulations 17 and 18 of SECC Regulations, 2018 specified the norms for shareholding in a recognised stock exchange and recognised clearing corporation respectively.

- (ii) Regulation 31(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as “LODR Regulations, 2015”), inter alia, specifies timelines for disclosure of holding of securities and shareholding pattern by listed entity (including listed MIIs) to stock exchanges in the format specified by the Board from time to time.
- (iii) SEBI vide various circulars or communications issued to MIIs/listed companies has prescribed formats for disclosure of shareholding.

### 3.1.2. Issue

- (i) *The above requirements result in preparation of reports on shareholding pattern in two different formats for the listed MIIs, thereby increasing compliance burden due to multiple reporting of the same data in different formats.*

### 3.1.3. Rationale

- (i) *The objective of Regulation 21(1) of the SECC Regulations, 2018 is being met through the following: -*
- a) *Stock exchanges and clearing corporations shall continue to disclose their shareholding on a quarterly basis in the format as prescribed under LODR Regulations, 2015*
  - b) *List of shareholders including top 10 shareholders can be obtained by the Board as and when required from the MIIs.*
  - c) *Further SEBI processes alerts generated on compliance with shareholding norms applicable to MIIs as part of its supervisory mechanism.*
  - d) *Rationalization of the provisions for reporting of shareholding pattern under SECC Regulations, 2018 would not lead to any major gap in such reporting.*
- (ii) *After detailed deliberations, the WG recommended that the reporting requirements may be rationalized to avoid duplication of information and to ease compliance. SMAC also agreed with the recommendations of the WG.*

### 3.1.4. Proposal

- (i) *To remove the duplication of disclosure by listed MIIs it is proposed to rationalize the disclosure requirements under regulation 21(1) of SECC Regulations, 2018 as under:*

*“21.(1) Without prejudice to the provisions of the Act, rules and these regulations, the recognised stock exchange(s) and the recognised clearing corporation(s) shall disclose ~~to the Board, in the format specified by the Board,~~ their shareholding pattern on their respective websites on a quarterly basis as per the requirements and format specified for listed companies in terms of the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements)”*

~~Regulations, 2015, within fifteen days from the end of each quarter, including therein the following:—~~

- ~~(a) the names of the ten largest shareholders along with the number and percentage of shares held by them;~~
- ~~(b) the names of the shareholders falling under regulations 17 and 18 who had acquired shares in that quarter.”~~

### 3.2. **Removal of reference on “Advisory Committee” from the SECC Regulations, 2018:**

#### 3.2.1. **Existing Regulatory Provisions**

- (i) *The recognized stock exchange(s) and the recognized clearing corporations are required to constitute various statutory committees as prescribed under Regulation 29 of SECC Regulations, 2018. The Board approved rationalization of statutory committees of MIIs in its meeting dated December 20, 2022 and it was decided that Advisory Committee may not be considered as a Statutory Committee and the MIIs should develop internal mechanisms (including an internal committee) to obtain suggestions/feedback from its members.*
- (ii) *Accordingly, “Advisory Committee” as a statutory committee has been omitted pursuant to amendment to the SECC Regulations, 2018 effective from August 28, 2023. However, the reference to Advisory Committee still exists in SECC Regulations, 2018 in the provisions mentioned below:*
  - a) *Paragraph V of Part H under Schedule II of SECC Regulations 2018 on Selection of trading members/clearing members on the Advisory Committee to the governing board.*
  - b) *Paragraph 27 of “Part-III-Governing Board” in “Annexure to Form ‘A’” under Schedule I.*

#### 3.2.2. **Issue and Rationale**

- (i) *As Advisory Committee is no longer a statutory committee, its reference in SECC Regulations, 2018 is redundant and creating confusion. The WG on Ease of Doing Business recommended that the same may be removed from the regulations. SMAC agreed with the recommendation of the WG.*

### **3.2.3. Proposal**

(i) *It is proposed that as the reference to “Advisory Committee” under SECC Regulations, 2018 are no more required, the following under SECC Regulations, 2018 may be deleted:*

- a) *Paragraph V of Part H under Schedule II ‘of SECC Regulation 2018.*
- b) *Paragraph 27 of “Part-III-Governing Board” in “Annexure to Form ‘A’” under Schedule I.*

### **3.3. Change in the name of one Statutory Committee i.e. Member and Core Settlement Guarantee Fund Committee**

#### **3.3.1. Background**

(i) *The committee on Strengthening Governance of Market Infrastructure Institutions (hereinafter referred as the Governance Committee), had recommended that the functions or terms of reference and composition of the statutory committees of MIIs should be rationalized. Since the functions or terms of reference (TOR) of the statutory committees of MIIs are operational in nature, it was referred to the ISF of MIIs for rationalization.*

#### **3.3.2. Issues**

(i) *While rationalizing the TORs of statutory committees ISF opined that it may be more appropriate that Regulatory Oversight Committee (ROC) oversees the contribution of stock exchanges towards Core Settlement Guarantee Fund (SGF) rather than Member and Core Settlement Guarantee Fund Committee (MCSGFC). Since no responsibility in respect of SGF is envisaged for MCSGFC, it was proposed by the ISF that the name of MCSGFC may be changed to Member Committee (MC).*

#### **3.3.3. Proposal**

(i) *Recommendation of ISF of MIIs may be accepted and clause (a) of sub regulation (2) under regulation 29 of SECC Regulations, 2018 may be amended as follows:*

*“(2) Functional committee, comprising:*

- (a) ~~Member and Core Settlement Guarantee Fund Committee~~ and;”*

#### **4. Part B: Suggestions which do not require amendment to Regulations**

##### **4.1. Periodic inspection / audit of commodity warehouses by the Clearing Corporations:**

4.1.1. For commodity derivatives segment, Chapter 12 of Master Circular for Commodity Derivatives Segment dated August 04, 2023 requires inspection of accredited storage facilities by an independent agency at least twice a year. The procedure to accredit a warehouse, including eligibility criteria, has been laid down by SEBI in the aforementioned Master Circular. While inspection is not required in case of nil stock in the preceding six months, the requirement of inspecting at least twice a year results in inspection at relatively shorter intervals if stock is received towards end of the calendar year and thereby is unproductive.

4.1.2. The WG noted the concern raised by clearing corporations and suggested that the requirement of two inspections in a year may be done away with for accredited storage facilities with 'Nil' stock continuously during preceding six months. In these cases, the number of inspections by an independent agency could be limited to once in a calendar year. Additionally, the requirement of inspection by an independent agency may also be done away with, in case there is 'Nil' stock in an accredited storage facility continuously during the calendar year. In-house periodic inspection by clearing corporations may be sufficient to assess the readiness of the accredited warehouse to accept the new deposits.

4.1.3. SMAC agreed with the recommendation of the WG.

4.1.4. SEBI is broadly in agreement with the recommendation of SMAC. The guidelines in this regard may be issued through a circular shortly.

##### **4.2. Detailed list of expenses allowed under Investor Protection Fund (IPF) and Investor Services Fund (ISF):**

4.2.1. MIIs had suggested that a detailed list of expenses allowed under IPF and ISF be published by SEBI to provide clarity and avoid ambiguity. SEBI informed that the guidelines on IPF and ISF are being reviewed for stock exchanges having commodity derivatives segment. Comments have been obtained and duly incorporated from stock exchanges in the revised guidelines. In this regard, the WG recommended that the revised guidelines may also include expenses allowed from interest income of IPF and ISF.

4.2.2. SMAC agreed with the recommendation of the WG.

4.2.3. SEBI is broadly in agreement with the recommendation of SMAC. The guidelines in this regard may be issued through a circular shortly.

4.3. **Exemption to listed MIIs from requirement of Regulation 33(2) of SECC Regulations, 2018:**

4.3.1. Regulation 33(2) of SECC Regulations, 2018 states that the governing board of a recognised stock exchange or a recognised clearing corporation shall confirm compliance with the disclosure requirements and corporate governance norms as specified for listed companies. The proposal suggested that since the MIIs are liable to follow LODR Regulations 2015 for confirmation of compliance by the compliance officer, any confirmation by the governing board causes duplication. The proposal was discussed in detail and it was recommended that the existing requirement of confirmation from the governing board may not be relaxed as it strengthens continuous adherence with such standards.

4.3.2. SMAC agreed with the recommendation of the WG.

4.3.3. SEBI is in agreement with the recommendation of SMAC, thus no policy change required.

4.4. **Change in Mode of dispatch of Statement of Transactions / Consolidated Account Statement (CAS) / Annual statement of holding for Account:**

4.4.1. The depositories represented that the current regulations mandate sending at least one annual physical statement of holding to the Beneficial Owner in respect of non Basic Service Demat Account (Non-BSDA) with zero balance and nil transaction. In this regard, they have suggested that the mandate may be changed to e-mail statements. After detailed deliberations, the WG recommended that default mode of sending the Consolidated Account Statements (CASs) to investors may be through e-mails to the registered e-mail IDs. However, the physical statement may be provided at the specific request of the investor.

4.4.2. SMAC agreed with the recommendation of the WG.

4.4.3. In this regard, it is proposed that in addition to the recommendation of SMAC, on quarterly basis an SMS may be sent to the investors stating that the CASs are being sent to the e-mail ID [e-mail ID to be specified in the SMS] registered by the investor. This may further help updation of the e-mail ID of the investors, if any. The guidelines in this regard may be issued through a circular shortly.

4.5. **Approval and reporting requirement by stock brokers for obtaining Internet Based Trading (IBT) facility from stock exchanges:**

4.5.1. SEBI registered stock brokers interested in providing Internet Based Trading (IBT) services are required to apply to the respective stock exchange for permission. Brokers are also required to periodically report to the stock exchange as specified by the Exchange. It was suggested that instead of each member asking for approval and reporting IBT statistics a general approval may be given to all the members for IBT due to the same being used extensively.

4.5.2. IBT registration is granted by stock exchange after stock brokers test their systems in a separate environment and provide a certificate/report from the system auditor to the stock exchange. It was felt desirable by the WG that such testing of systems take place before stock broker provides IBT facility to its clients. It was therefore recommended that the existing process related to grant of permission for IBT by Stock Exchanges may continue. However, to expedite the approval, the WG recommended that the current timeline for granting IBT permission by stock exchanges may be reduced.

4.5.3. With regard to periodic reporting of IBT statistics, it was noted that stock brokers upload details of IBT terminals to exchange and all orders emanating from IBT carry an identifier. Accordingly, the WG recommended that the existing requirement of periodic confirmation of IBT statistics by the stock brokers before they are published by the stock exchanges may be done away with. Exchanges would publish IBT statistics on the basis of details of IBT terminals provided by the stock brokers.

4.5.4. SMAC agreed with the recommendations of the WG.

4.5.5. SEBI is broadly in agreement with the recommendation of SMAC. The guidelines in this regard may be issued through a circular shortly.

4.6. **Financial Disincentives for individuals to be removed:**

4.6.1. MIIs had suggested that the requirement of paying the “Financial Disincentive” as per the “Financial Disincentive” structure with regard to handling of technical glitches by the Managing Director (being the executive head in-charge of all the day to day operations) and Chief Technology Officer (being the executive head in-charge of technology) as specified by SEBI may be removed.



4.6.2. After detailed deliberations, the WG recommended that the industry suggestion in this regard may not be accepted. However, SEBI may obtain views of the concerned KMP/MII before deciding on applicability of Financial Disincentive on them.

4.6.3. Further, there was an additional request by MIIs regarding exemption from publishing the details of Financial Disincentives levied by SEBI on the website of MIIs, as required under LODR Regulations, 2015. The WG recommended that the same may be examined by SEBI.

4.6.4. SMAC agreed with the recommendations of the WG.

4.6.5. In this regard, it is mentioned that the instant proposal has been an ongoing request from the industry and SEBI would examine the matter separately.

## **5. Consideration and approval of the Board**

5.1. The Board is requested to consider and approve the following:

5.1.1. Proposals under paragraph 3.1.4, 3.2.3 and 3.3.3 above.

5.1.2. The amendments to SECC Regulations, 2018 may be made effective from the date of its publication in the official gazette.

5.1.3. The draft notification for amendments to SECC Regulations, 2018 is placed at **Annexure-A**.

5.2. The Board may authorize the Chairman to take steps to implement the decisions with consequential, incidental and appropriate changes, as may be required in this regard.

**Mumbai**  
**April 15, 2024**

**Debashis Bandyopadhyay**  
**Chief General Manager**