

# INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY (CAPITAL MARKET INTERMEDIARIES) REGULATIONS, 2021<sup>1</sup>

[As amended up to 3<sup>rd</sup> July, 2023]

*In exercise of the powers conferred by sub-section (1) of Section 28 read with sub-section (1) of Section 12 and sub-section (1) of Section 13 of the International Financial Services Centres Authority Act, 2019; Section 30 read with Section 28C of the Securities and Exchange Board of India Act, 1992; and Section 25 read with Section 23G of the Depositories Act, 1996, the International Financial Services Centres Authority hereby makes the following regulations, namely: -*

## CHAPTER I

### PRELIMINARY

#### Short title and commencement

1. (1) These regulations may be called the International Financial Services Centres Authority (Capital Market Intermediaries) Regulations, 2021.
- (2) They shall come into force on the date of their publication in the Official Gazette.

#### Definitions

2. (1) In these regulations, unless the context otherwise requires, the terms defined herein shall bear the meanings as assigned to them below, and their cognate expressions shall be construed accordingly-
  - (a) “account aggregator” means a person that undertakes the business of providing the service of retrieving or collecting information of its customer pertaining to financial assets and consolidating, organizing and presenting such information to the customer or any other person as per the instructions of the customer;
  - (b) “Act” means the International Financial Services Centres Authority Act, 2019 (50 of 2019);
  - (c) “associate” shall have the same meaning as assigned to it under clause (a) of sub-regulation (1) of regulation 2 of the International Financial Services Centres Authority (Market Infrastructure Institutions) Regulations, 2021;
  - (d) “Authority” or “IFSCA” means the International Financial Services Centres Authority established under sub-section (1) of section 4 of the Act;
  - (e) “banker to an issue” means a bank carrying out banking related activities in an issue;
  - (f) “Banking Unit” shall have the same meaning as assigned to it under clause (c) of sub-regulation (1) of regulation 2 of the International Financial Services Centres Authority (Banking) Regulations, 2020;
  - (g) “broker dealer” means a person having trading rights in any recognised stock exchange and includes a trading member;
  - <sup>2</sup>[(ga) “capital market intermediary” means an intermediary referred to in regulation 3 and is registered with the Authority under these regulations;]

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<sup>1</sup> Vide Notification No. IFSCA/2021-22/GN/REG018, dated 18<sup>th</sup> October, 2021, published in the Gazette of India, Extraordinary, Part III, Sec.4, vide No. 346, on 20<sup>th</sup> October, 2021.

<sup>2</sup> Inserted by IFSCA (Capital Market Intermediaries) (Amendment) Regulations, 2023, w.e.f. 04-07-2023.

- (h) “clearing member” means a person having clearing and settlement rights in any recognised clearing corporation;
- (i) “control” shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner, including by holding interest, whether direct or indirect, to the extent of more than fifty percent of voting rights or interest:

Provided that a director or officer of a company shall not be considered to be in control over such company, merely by virtue of holding such position;

- (j) “credit rating agency” means a person which is engaged in the rating of securities or financial products, or such other products as may be introduced by the Authority from time to time;
- (k) “custodial services” in relation to financial products means safekeeping of such financial products and providing services incidental thereto, and includes:
  - a. maintaining accounts of such financial products;
  - b. collecting the benefits or rights accruing to the client in respect of such financial products;
  - c. keeping the client informed of the actions taken or to be taken by the issuer, having a bearing on the benefits or rights accruing to the client;
  - d. maintaining and reconciling records of the services; and
  - e. undertaking activities relating to issuance of depository receipts in an IFSC;
- (l) “custodian” means a person who carries on or proposes to carry on the business of providing custodial services;
- (m) “debenture trustee” means a trustee appointed in respect of any issue of debentures;
- (n) “depository participant” means a participant of a recognised depository;
- (o) <sup>3</sup>[\*\*\*]
- <sup>4</sup>[(oa) “distributor” means a person who for remuneration engages with clients on behalf of an issuer or a service provider to facilitate investment or subscription into “capital market products” or “capital market services”, as defined under circular no.817/IFSCA/Distribution/2022-23 dated December 21, 2022 issued by the Authority;]
- (p) “Foreign Jurisdiction” means a country, other than India, whose securities market regulator is a signatory to International Organization of Securities Commission’s Multilateral Memorandum of Understanding (Appendix A signatories) or a signatory to a bilateral Memorandum of Understanding with the Authority, and which is not identified in the public statement of Financial Action Task Force as:
  - (i) a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
  - (ii) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies;

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<sup>3</sup> Omitted by IFSCA (Fund Management) Regulations, 2022, w.e.f. 19-05-2022. Prior to omission, it read as under:

““discretionary portfolio manager” means a portfolio manager who under a contract relating to portfolio management, exercises or may exercise, any degree of discretion as to the investment of funds or management of the portfolio of securities of the client, as the case may be;”

<sup>4</sup> Inserted by IFSCA (Capital Market Intermediaries) (Amendment) Regulations, 2023, w.e.f. 04-07-2023.

- (q) “inspecting authority” means one or more persons appointed by the Authority to undertake inspection of the books, accounts, records and documents of a capital market intermediary in terms of these regulations;
- (r) “International Financial Services Centre” or “IFSC” shall have the same meaning as assigned to it under clause (g) of sub-section (1) of section 3 of the Act;
- (s) “investment advice” means advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client and shall include financial planning:

Provided that investment advice given through newspaper, magazines, any electronic or broadcasting or telecommunications medium, which is widely available to the public shall not be considered as investment advice for the purpose of these regulations;

- (t) “investment adviser” means a person, who for consideration, is engaged in the business of providing investment advice to clients or other persons or group of persons and includes any person who holds out himself as an investment adviser, by whatever name called;
- (u) “investment banker” means a person who is engaged in the business of issue management either by making arrangements regarding selling, buying or subscribing to securities or acting as manager, consultant, adviser or rendering corporate advisory service in relation to such issue management;
- (v) “issue” means an offer of sale or purchase of securities in an IFSC;
- (w) “key managerial personnel” means the officers or personnel of the intermediary who are members of its core management team and includes members of the management one level below the executive directors of the intermediary, functional heads and includes ‘key managerial personnel’ as defined under the Companies Act, 2013 or any other person whom the intermediary may declare as a key managerial personnel;
- (x) "net worth" means the aggregate value of the paid-up share capital (or capital contribution) and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation;
- (y) “person associated with investment advice” shall mean any member, partner, designated partner, officer, director or employee or any sales staff of such investment adviser including any person occupying a similar status or performing a similar function irrespective of the nature of association with the investment adviser who is engaged in providing investment advisory services to the clients of the investment adviser:

*Explanation:* Individuals such as service relationship managers, client relationship managers, etc., by whatever name called shall be deemed to be persons associated with investment advice, but do not include persons who discharge clerical or office administrative functions where there is no client interface;

- (z) <sup>5</sup>[\*\*\*]

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<sup>5</sup> Omitted by IFSCA (Fund Management) Regulations, 2022, w.e.f. 19-05-2022. Prior to omission, it read as under:

““portfolio manager” means a person, who pursuant to a contract with a client, advises or directs or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or financial products or funds of the client, as the case may be;”

- (aa) “principal officer” means a person who is responsible for the overall activities of the intermediary in the IFSC and includes:
- (i) proprietor, in the case of a proprietary concern;
  - (ii) any partner, in the case of a partnership firm;
  - (iii) any designated partner, in the case of a limited liability partnership;
  - (iv) whole time/ executive / managing director, in the case of a body corporate;
  - (v) trustee, in the case of a trust; and
  - (vi) any other person designated as a principal officer;
- (bb) “recognised clearing corporation” means a clearing corporation in IFSC which is recognised by the Authority;
- (cc) “recognised depository” means a depository in IFSC which is recognised by the Authority;
- (dd) “recognised stock exchange” means a stock exchange in IFSC which is recognised by the Authority;
- <sup>6</sup>[(dda) “registered distributor” means a distributor registered with the Authority under these regulations;]
- (ee) “regulations” means the International Financial Services Centres Authority (Capital Market Intermediaries) Regulations, 2021, as amended from time to time;
- (ff) “SEBI” means the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992;
- (gg) “segregated nominee account provider” means an entity who is registered with a recognised stock exchange or a recognised clearing corporation as segregated nominee service provider to offer the services of segregated nominee account structure;
- (hh) “segregated nominee account structure” means a structure wherein orders of clients may be routed through an eligible segregated nominee account provider for trading on a recognised stock exchange while adhering to the regulatory requirements *inter-alia* relating to identification of end-client, unique client code, order placement at client level, client level margining and position limits;
- (ii) “self-clearing member” means a member of a recognised clearing corporation who is also a broker dealer and clears and settles trades on its own account or on account of its clients only.
- (2) Words and expressions used and not defined in these regulations but defined in the Act or Acts mentioned in the First Schedule to the Act, or the Companies Act, 2013, or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those Acts, rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

## CHAPTER II

### REGISTRATION

#### Obligation to seek registration

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<sup>6</sup> Inserted by IFSCA (Capital Market Intermediaries) (Amendment) Regulations, 2023, w.e.f. 04-07-2023.

3. (1) The following categories of intermediaries shall obtain a certificate of registration from the Authority prior to commencement of operations in an IFSC:

(a) Broker dealers;

*Explanation:* The broker dealers shall be eligible for registration as segregated nominee account providers with the recognised stock exchanges pursuant to compliance with the requirements specified by such recognised stock exchanges and Authority from time to time.

(b) Clearing members;

*Explanation:* The clearing members shall be eligible for registration as segregated nominee account providers with the recognised clearing corporations pursuant to compliance with the requirements specified by such recognised clearing corporations and Authority from time to time.

(c) Depository participants;

(d) Investment bankers;

(e) <sup>7</sup>[\*\*\*]

(f) Investment advisers:

Provided that the following persons shall not be required to seek registration as an investment adviser in IFSC:

- (i) any person who gives general comments in good faith in regard to trends in the financial or securities market or the economic situation where such comments do not specify any particular securities or investment product;
- (ii) any insurance agent or insurance brokers recognised or registered or authorised by the Authority, who offers investment advice solely in insurance products;
- (iii) any pension adviser recognised or registered or authorised by the Authority, who offers investment advice solely in pension products;
- (iv) any distributor of mutual funds providing any investment advice to its clients incidental to its primary activity;
- (v) any advocate, solicitor or law firm, who offers investment advice to its clients, incidental to their legal practice;
- (vi) any member of the Institute of Chartered Accountants of India, the Institute of Company Secretaries of India, the Institute of Cost Accountants of India, the Institute of Actuaries of India or any other professional body as may be specified by the Authority, who provides investment advice (either in his individual capacity or as an employee of a firm) to his clients, incidental to his professional service;
- (vii) any broker dealer <sup>8</sup>[\*\*\*] or investment banker registered by the Authority under these regulations, who offers investment advice to its clients, incidental to their primary activity;

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<sup>7</sup> Omitted by IFSCA (Fund Management) Regulations, 2022, w.e.f. 19-05-2022. Prior to omission, it read as under: "Portfolio managers;"

<sup>8</sup> Omitted by IFSCA (Fund Management) Regulations, 2022, w.e.f. 19-05-2022. Prior to omission, it read as under: ", portfolio manager"

(viii) any fund manager, by whatever name called, providing advice to a mutual fund, alternative investment fund or any other fund registered or regulated by the Authority or any other securities market regulator;

(ix) any person providing investment advice to investors such as:

- a. central and state governments;
- b. developmental agencies set up under the aegis of government(s);
- c. multilateral agencies;
- d. sovereign wealth funds;
- e. intermediaries registered with the Authority;
- f. banks;
- g. insurance companies;
- h. pension funds;
- i. provident funds;
- j. public financial institutions; and
- k. any other category of investors, as may be specified by the Authority from time to time.

(x) any person who provides investment advice exclusively to its associates or group entities;

(xi) any principal officer and person associated with advice of an investment adviser which is recognised by the Authority under these regulations; and

(xii) any other person as may be specified by the Authority;

(g) Custodians; <sup>9</sup>[\*\*\*]

<sup>10</sup>[(ga) Distributors; and]

(h) Any other category of intermediaries, as may be specified by the Authority from time to time.

(2) The following categories of intermediaries may obtain a certification of registration from the Authority for providing financial services in an IFSC:

(a) Credit rating agencies;

(b) Debenture Trustees;

(c) Account Aggregators; and

(d) Any other category of intermediaries, as may be specified by the Authority from time to time.

(3) A Banking Unit shall be permitted to function as a banker to an issue in an IFSC, without any additional registration requirement, subject to compliance with the regulatory provisions that may be specified by the Authority from time to time.

(4) Notwithstanding anything contained in sub-regulations (1) to (3), the Authority may specify norms for authorization of capital market intermediaries for operating or providing services in an IFSC from time to time.

## **Application for registration**

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<sup>9</sup> Omitted by IFSCA (Capital Market Intermediaries) (Amendment) Regulations, 2023, w.e.f. 04-07-2023. Prior to omission, it read as under: "and"

<sup>10</sup> Inserted by IFSCA (Capital Market Intermediaries) (Amendment) Regulations, 2023, w.e.f. 04-07-2023.

4. (1) An entity desirous of obtaining a certificate of registration as a capital market intermediary in IFSC shall submit an application form in the format provided in Part I of Schedule I to the Authority along with the application fees as specified by the Authority:

Provided that the applicant seeking registration to act as a broker dealer or clearing member or depository participant shall make the application along with such additional information through the recognised stock exchange or recognised clearing corporation or recognised depository respectively.

Explanation: An applicant may apply for multiple registrations in the same application form.

- (2) The recognised stock exchange, the recognised clearing corporation, the recognised depository, as the case may be, shall examine the eligibility of the applicant in terms of these regulations, relevant Acts, regulations and the rules, bye-laws of the concerned stock exchange, clearing corporation, depository and forward the application with the application fees to the Authority along with its recommendation as early as possible but not later than thirty days of receipt of the complete application with the specified application fees.
- (3) Subject to approval by the concerned recognised stock exchange, and without any requirement of a separate certificate of registration, -
- (a) a registered clearing member may be permitted to act as a broker dealer in a recognised stock exchange; and
- (b) a registered broker dealer may be permitted to operate in more than one recognised stock exchange.
- (4) Subject to approval by the concerned recognised clearing corporation, and without any requirement of a separate certificate of registration, -
- (a) a registered broker dealer may be permitted to act as a clearing member in a recognised clearing corporation; and
- (b) a registered clearing member may be permitted to operate in more than one recognised clearing corporation.
- (5) Subject to approval by the concerned recognised depository, a registered depository participant may be permitted to act as a participant of another recognised depository without obtaining separate certificate of registration.
- (6) The provisions of these regulations, as applicable to the grant of registration shall also apply to an application for renewal of registration of a capital market intermediary, wherever applicable.

#### **Legal form of the applicant**

5. (1) A capital market intermediary seeking registration with the Authority shall be required to be present in an IFSC by establishing a branch or forming a company or limited liability partnership or body corporate or partnership firm or proprietorship firm or any other form as may be permitted by the Authority:

Provided that the branch structure is permitted only for an intermediary which is already registered or regulated in India or a Foreign Jurisdiction for conducting similar activities:

Provided further that an applicant already licensed, registered or authorised with the Authority in any other capacity can also seek registration under these regulations.

- (2) A capital market intermediary operating as branch structure in an IFSC shall comply with the following conditions:

- (a) The entity shall adequately ring fence the operations of the branch in IFSC;
- (b) The entity shall comply with the minimum net worth requirements specified in these regulations for its activities in IFSC which may be maintained at the parent level:

*Explanation:* The minimum net worth requirements for its activities in IFSC shall be separate in addition to the minimum net worth requirements applicable for other activities outside IFSC;

- (c) The entity shall maintain such minimum capital as may be specified by the Authority, which shall be earmarked for IFSC and may be held in the jurisdiction of its incorporation;
- (d) A custodian operating as branch in IFSC shall ensure financial segregation by allocating the amount specified by IFSCA towards its branch in IFSC and shall submit a declaration to the Authority in this regard;
- (e) A broker dealer / a clearing member of foreign entities shall comply with additional requirements including base minimum capital specified by IFSCA; and
- (f) Any other requirements as may be specified by the Authority from time to time.

#### **Net worth requirements**

- 6. An entity seeking registration as a capital market intermediary shall comply with the net worth requirements as specified in Schedule II of these regulations or such other amount as may be specified by the Authority, and the same shall be maintained at all times:

Provided that an entity operating as a capital market intermediary in multiple categories shall maintain the highest of the applicable minimum net worth requirements unless a higher amount is specified by the Authority.

#### **Fit and proper requirements**

- 7. (1) A capital market intermediary shall ensure that the entity and its principal officers, directors/ partners/ designated partners, key managerial personnel and controlling shareholders are fit and proper persons, at all times.

(2) For the purpose of sub-regulation (1), a person shall be deemed to be a fit and proper person if, -

- (a) such person has a record of fairness and integrity, including but not limited to-
  - (i) financial integrity;
  - (ii) good reputation and character; and
  - (iii) honesty.
- (b) such person has not incurred any of the following disqualifications –
  - (i) the person has been convicted by a court for any offence involving moral turpitude or any economic offence or any offence against securities laws;
  - (ii) a recovery proceeding has been initiated against the person by a financial regulatory authority and is pending;
  - (iii) an order for winding up has been passed against the person for malfeasance;
  - (iv) the person has been declared insolvent and not discharged;

- (v) an order, restraining, prohibiting or debarring the person from accessing or dealing in financial products or financial services, has been passed by any regulatory authority, and a period of three years from the date of the expiry of the period specified in the order has not elapsed;
- (vi) any other order against the person, which has a bearing on the securities market, has been passed by the Authority or any other regulatory authority, and a period of three years from the date of the order has not elapsed;
- (vii) the person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force;
- (viii) the person is financially not sound or has been categorized as a wilful defaulter;
- (ix) the person has been declared a fugitive economic offender; or
- (x) any other disqualification as may be specified by the Authority.

### **Registration requirements**

8. (1) The Authority shall take into account all matters which it deems relevant for grant of registration to a capital market intermediary and in particular the following, namely, whether:
  - a) the applicant or its principal officer has adequate past experience in the activities as a capital market intermediary for which it is desirous of obtaining a certificate of registration or related activities;
  - b) the applicant has the necessary infrastructure like adequate office space, equipment, communication facilities and manpower to effectively discharge its activities;
  - c) the applicant satisfies the eligibility criteria, net worth and fund allocation requirements, if applicable, as specified in these regulations;
  - d) the applicant has satisfactory financial credit worthiness;
  - e) the applicant and its principal officers, directors/ partners/ designated partners, key managerial personnel and controlling shareholders are fit and proper persons;
  - f) the applicant or any of its associates have in the past been refused certificate by the Authority and if so, the ground for such refusal; and
  - g) the applicant or its principal officer is subject to any proceeding for breach of law by the Authority.
- (2) In addition to sub-regulation (1), in respect of an application for registration as <sup>11</sup>\*\*\* an investment adviser, the principal officer of the applicant shall have:
  - (a) A professional qualification or post-graduate degree or post graduate diploma (minimum two years in duration) in finance, law, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognised by the Central Government or any State Government or a recognised foreign university or institution or association or a CFA Charter from the CFA Institute; or a certification from any organization or institution or association or stock exchange which is recognised/ accredited by IFSCA or a regulator in India or Foreign Jurisdiction; and

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<sup>11</sup> Omitted by IFSCA (Fund Management) Regulations, 2022, w.e.f. 19-05-2022. Prior to omission, it read as under: "a portfolio manager or"

- (b) An experience of at least five years in related activities in the securities market or financial products including in a portfolio manager, broker dealer, investment advisor, research analyst or fund management.
- (3) <sup>12</sup>[\*\*\*]
- (4) In addition to sub-regulations (1) and (2), in respect of an application for registration as an investment adviser, all persons associated with investment advice of the applicant shall have:
  - (a) a graduate from a university or an institution recognised by the Central Government or any State Government or a foreign university or qualification / certification as mentioned in clause (a) of sub-regulation (2); and
  - (b) experience of at least two years in related activities in the securities market or financial products.

### **Simplified application**

9. (1) Notwithstanding anything contained in this Chapter, an entity registered and regulated in India or a Foreign Jurisdiction having valid registration may either through its branch or subsidiary apply for registration under the same category with a simplified application form specified in Part II of Schedule I, along with the application fees specified by the Authority, until March 31, 2022:

Provided that such entity shall comply with the fit and proper and net worth requirements specified in these regulations.

- (2) The entity registered under sub-regulation (1) would be required to comply with all the provisions of this Chapter for continuing to operate as a capital market intermediary, within a period of 1 year from the date of registration.

### **Grant of registration**

10. (1) The Authority may, after considering the application and on being satisfied that the applicant has complied with the conditions laid down in these regulations and is eligible to act as a capital market intermediary, and upon receipt of registration fees (as specified by the Authority), grant registration to the applicant subject to the conditions as the Authority may deem fit.
- (2) If the Authority is of the opinion that the registration cannot be granted, it shall communicate the deficiencies to the Applicant giving it thirty days' time to rectify them.
  - (3) If the Applicant fails to rectify such deficiencies to the satisfaction of the Authority within the specified time, the Authority may refuse to grant registration and shall communicate the same to the Applicant, giving reasons for such refusal:

Provided that no such refusal shall be made by the Authority without giving the Applicant an opportunity to make written submissions on the grounds on which the registration is proposed to be refused.

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<sup>12</sup> Omitted by IFSCA (Fund Management) Regulations, 2022, w.e.f. 19-05-2022. Prior to omission, it read as under:  
 "In addition to sub-regulations (1) and (2), in respect of an application for registration as a portfolio manager, the applicant shall have in its employment at least one person with the following qualifications:

- (a) a graduate from a university or an institution recognised by the Central Government or any State Government or a foreign university or qualification/ certification as mentioned in clause (a) of sub-regulation (2); and
- (b) experience of at least two years in related activities in the securities market or financial products:

Provided that any employee of the portfolio manager who has decision making authority related to fund management shall have the same minimum qualifications/certification and experience as specified for the principal officer."

- (4) The capital market intermediary shall comply with any other condition as may be imposed by the Authority as it deems fit in the interest of the investors or orderly development of the securities market or for regulating the working of the capital market intermediary, in an IFSC.
- (5) The registration granted to a capital market intermediary may be withdrawn by the Authority only after giving a reasonable opportunity of being heard.

#### **Period of validity**

11. The certificate of registration of a capital market intermediary shall be valid for such period as may be specified by the Authority, unless it is suspended or cancelled by the Authority.

#### **Surrender of registration**

12. A registered capital market intermediary may file an application with the Authority for surrender of its registration:

Provided that a broker dealer or clearing member or depository participant shall make such application through the recognised stock exchange or recognised clearing corporation or recognised depository respectively.

### **CHAPTER III**

#### **GENERAL OBLIGATIONS AND RESPONSIBILITIES**

##### **Code of Conduct**

13. Every capital market intermediary shall abide by the Code of Conduct as specified in Schedule III.

##### **Maintenance of books of account, records and other documents**

14. (1) Every capital market intermediary shall maintain and preserve the following books of accounts, records and documents, in electronic retrieval form for a minimum of ten years, namely: -
  - (a) a copy of the balance sheet at the end of each accounting period;
  - (b) a copy of profit and loss account for each accounting period;
  - (c) a copy of the auditor's report on the accounts for each accounting period;
  - (d) a statement of net worth for each quarter;
  - (e) documentation relating to compliance with AML and CFT guidelines;
  - (f) documents relating to account opening of each client and any power of attorney or signature authority forms of the clients;
  - (g) relevant records and documents relating to its activities in capital markets; and
  - (h) such other books of accounts, records and documents as may be specified by the Authority from time to time.

- (2) In relation to a capital market intermediary not being a body corporate, it shall maintain the following books of accounts, records and documents, in electronic retrieval form for a minimum of ten years, namely, -
- (a) all sums of money received and expended;
  - (b) its assets and liabilities;
  - (c) a statement of net worth for each quarter;
  - (d) documentation relating to compliance with AML and CFT guidelines;
  - (e) documents relating to account opening of each client and any power of attorney or signature authority forms of the clients;
  - (f) relevant records and documents relating to its activities in capital markets; and
  - (g) such other books of accounts, record and documents as may be specified by the Authority from time to time.

#### **Information to the Authority**

15. (1) A capital market intermediary shall furnish to the Authority any material change in the information or particulars previously furnished along with the application, which has a bearing on the certificate of registration granted to it.
- (2) A registered capital market intermediary shall furnish such reports, returns, statements and particulars, in such manner, interval and form, as may be specified by the Authority from time to time.

#### **Redressal of grievances**

16. (1) A registered capital market intermediary shall take adequate steps for redressal of grievances of the investors within one month of the date of the receipt of the complaint.
- (2) The intermediary shall maintain records regarding investor grievances received by it and redressal of such grievances.

#### **Business Continuity Plan**

17. (1) A registered capital market intermediary shall maintain a business continuity plan identifying procedures relating to an emergency or significant business disruption.
- (2) A registered capital market intermediary shall update its business continuity plan in the event of any material change to operations, structure, business, or location.
- (3) A registered capital market intermediary shall conduct an annual review of its business continuity plan.

#### **Cyber Security and Cyber Resilience**

18. A registered capital market intermediary shall have robust cyber security and cyber resilience framework in accordance with the requirements as may be specified by the Authority from time to time.

### **Risk Management and Internal Controls**

19. (1) A registered capital market intermediary shall have a sound risk management system for comprehensively managing risks.
- (2) A registered capital market intermediary shall have adequate internal procedures and controls, given the types of business in which it engages (including any activities which have been outsourced) with the aim of protecting the interests of clients and their assets and ensuring proper management of risk.

### **Change in control**

20. (1) A registered capital market intermediary operating in the form of branch in an IFSC shall intimate the Authority and the market infrastructure institution of which it is a member (if applicable), within fifteen days of any direct or indirect change in control of the intermediary.
- (2) A registered capital market intermediary incorporated in an IFSC shall seek prior approval of the Authority in case of any direct or indirect change in control of the intermediary.

### **Payment of Fees**

21. A registered capital market intermediary shall pay the fees pertaining to annual fees, turnover based fees and any other fees as may be specified by the Authority or the market infrastructure institutions from time to time.

### **Annual Audit**

22. (1) A registered capital market intermediary shall have an annual audit conducted in respect of compliance with these regulations by a member of the Institute of Chartered Accountants of India or a member of the Institute of Company Secretaries of India or any person authorised to conduct audit in a Foreign Jurisdiction.
- (2) A registered capital market intermediary shall have additional audits and submit such reports as may be specified by the Authority from time to time.

### **Appointment of Compliance Officer**

23. A registered capital market intermediary shall appoint a person as its compliance officer for ensuring compliance with the regulatory requirements.

## **CHAPTER IV**

### **SPECIFIC OBLIGATIONS AND RESPONSIBILITIES**

#### **Broker dealers and Clearing members**

24. (1) A broker dealer or a clearing member may have the following categories as clients:
  - (a) a person resident outside India;
  - (b) a non-resident Indian;
  - (c) a non-individual resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted; and
  - (d) an individual resident in India who is eligible under FEMA to invest funds offshore, to the extent allowed in the Liberalized Remittance Scheme of Reserve Bank of India.

- (2) A broker dealer shall ensure compliance with the applicable laws, including bye-laws, rules and regulations specified by the recognised stock exchange.
- (3) A clearing member shall ensure compliance with the applicable laws, including bye-laws, rules and regulations specified by the recognised clearing corporation.

### **Depository Participants**

25. (1) A depository participant may have the following categories as clients:
  - (a) a person resident outside India;
  - (b) a non-resident Indian;
  - (c) a non-individual resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted; and
  - (d) an individual resident in India who is eligible under FEMA to invest funds offshore, to the extent allowed in the Liberalized Remittance Scheme of Reserve Bank of India.
- (2) A depository participant shall ensure compliance with the applicable laws, including bye-laws, rules and regulations specified by the recognised depository.
- (3) Separate accounts shall be opened by every depository participant in the name of each of the beneficial owners and the securities of each beneficial owner shall be segregated, and shall not be mixed up with the securities of other beneficial owners or with the participant's own securities.
- (4) A depository participant shall have adequate mechanisms for the purpose of reviewing, monitoring and evaluating its internal accounting controls and systems.
- (5) Where the records are maintained in electronic form, a depository participant shall ensure that the integrity of the data processing system is maintained at all times.
- (6) A depository participant shall reconcile its records with every depository in which it is a participant, on a daily basis.

### **Investment bankers**

26. (1) The responsibilities of a lead investment banker relating to issue management shall be clearly defined and a statement specifying such responsibilities shall be furnished to the Authority at least one month before the opening of the issue for subscription.
  - (2) Where there are more than one lead investment bankers to the issue, the statement as specified in sub-regulation (1) shall clearly demarcate the responsibilities of each of such lead investment bankers.
27. (1) An investment banker shall enter into an agreement with the issuer of securities specifying the roles and responsibilities of the investment banker in the issue.
  - (2) An investment banker shall not undertake any activity, except for marketing of the issue or offer, if the investment banker is a promoter or an associate of the issuer of securities or of any person making an offer to sell or purchase securities in terms of any regulations made by the Authority.

*Explanation:* For the purposes of this regulation, an investment banker shall be deemed to be an “associate of the issuer or person” if:

- (a) either of them controls, directly or indirectly through its subsidiary or holding company, not less than fifteen per cent. of the voting rights in the other; or
  - (b) either of them, directly or indirectly, by itself or in combination with other persons, exercises control over the other; or
  - (c) there is a common director, excluding nominee director, amongst the issuer, its subsidiary or holding company and the investment banker.
- (3) No investment banker or any of its principal officers, directors, partner or manager shall either on their respective accounts or through their associates or relatives enter into any transaction in securities of issuer on the basis of unpublished price sensitive information obtained by them in the course of any professional assignment.
28. An investment banker shall submit to the Authority complete particulars of any transaction for acquisition of securities of any body corporate whose issue is being managed by that investment banker within fifteen days from the date of entering into such transaction.
29. (1) An investment banker may act as an underwriter of an issue in an IFSC.
- (2) An investment banker acting as an underwriter, shall enter into an agreement with the issuer of securities, on whose behalf it is acting as an underwriter, which shall have the understanding in relation to amount of underwriting obligations and commission, allocation of duties and responsibilities, timelines and other relevant details.
- (3) An underwriter shall not derive any direct or indirect benefit from underwriting the issue except commission or brokerage payable under the agreement for underwriting.
- (4) At any point of time, the total underwriting obligations under all the agreements shall not exceed twenty times the net worth of the investment banker.

<sup>13</sup>[\*\*\*]

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<sup>13</sup> Omitted by IFSCA (Fund Management) Regulations, 2022, w.e.f. 19-05-2022. Prior to omission, it read as under:

“ **Portfolio managers**

30. A portfolio manager may have the following categories as clients:
- (a) a person resident outside India;
  - (b) a non-resident Indian;
  - (c) a non-individual resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted; and
  - (d) an individual resident in India who is eligible under FEMA to invest funds offshore, to the extent allowed in the Liberalized Remittance Scheme of Reserve Bank of India.

31. A portfolio manager operating in an IFSC shall be permitted to invest in securities and financial products in an IFSC, India or Foreign Jurisdiction:

Provided that a discretionary portfolio manager shall invest in the securities listed or traded on the stock exchanges, money market instruments, units of mutual funds and other financial products as specified by the Authority from time to time.

32. (1) A portfolio manager shall provide a disclosure document to the client, prior to entering into an agreement with the client.
- (2) The portfolio manager shall ensure that a copy of disclosure document is available on the website of the portfolio manager.
- (3) The disclosure document referred to in sub-regulation (1) shall inter alia contain details pertaining to the services offered, risk factors, client representation, financial performance, performance of portfolio manager, auditor observations, nature of expenses, taxation, investor grievance redressal mechanism and litigations by the regulatory authorities against the portfolio manager and its principal officers, directors/ partners/ designated partners and key managerial personnel.

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33. (1) A portfolio manager shall enter into a written agreement with the client that clearly defines the inter se relationship and sets out their mutual rights, liabilities and obligations relating to management of portfolio including details pertaining to investment objectives, risk factors, terms of fees, period of the contract, etc.

(2) Notwithstanding anything contained in the agreement between the portfolio manager and the client, the funds or securities can be withdrawn by the client before the maturity of the contract under the following circumstances, namely-

- (a) voluntary or compulsory termination of portfolio management services by the portfolio manager or the client; or
- (b) suspension or cancellation of the certificate of registration of the portfolio manager by the Authority; or
- (c) bankruptcy or liquidation of the portfolio manager.

34. (1) A portfolio manager shall periodically furnish a report to the client in terms of the agreement between the portfolio manager and the client which shall inter alia contain details relating to composition and value of the portfolio, transactions undertaken during the period of the report, beneficial interest received during the period of the report, expenses incurred in managing the portfolio and details of risk relating to the securities recommended by the portfolio manager for investment or disinvestment.

(2) The report referred to in sub-regulation (1) may be made available online with restricted access to each client.

35. The portfolio manager shall charge an agreed fee from the clients for rendering portfolio management services without guaranteeing or assuring, either directly or indirectly, any return and the fee so charged may be a fixed fee or a return based fee or a combination of both.

36. A discretionary portfolio manager shall individually and independently manage the funds of the client in accordance with the needs of the client, in a manner which does not partake the character of a mutual fund, whereas a non-discretionary portfolio manager shall manage the funds of the client in accordance with the directions of the client.

37. (1) A portfolio manager shall not accept from the client, funds or securities worth less than USD 70,000.

(2) A portfolio manager shall keep the funds of all clients in a separate account to be maintained by it in a Banking Unit.

(3) A portfolio manager shall segregate each client's holding in securities in separate accounts.

(4) The funds received from the clients, investments or disinvestments, all the credits to the account of the client like interest, dividend, bonus or any other beneficial interest received on the investment and debit for expenses, if any, shall be properly reflected in the client's accounts.

(5) A portfolio manager shall act in a fiduciary capacity in respect of the client's funds and shall not derive any direct or indirect benefit out of the client's funds or securities.

(6) A portfolio manager shall not borrow funds or securities on behalf of the client.

38. (1) The money or securities accepted by the portfolio manager shall be invested or managed in terms of the agreement between the portfolio manager and the client.

(2) The portfolio manager shall not leverage the portfolio of its clients for investment in derivatives, unless express consent has been obtained from its clients.

(3) The portfolio manager shall not while dealing with clients' funds indulge in speculative transactions i.e., it shall not enter into any transaction for purchase or sale of any security which is periodically or ultimately settled otherwise than by actual delivery or transfer of security except the transactions in derivatives.

(4) A portfolio manager shall, ordinarily purchase or sell securities separately for each client. However, in the event of aggregation of purchases or sales for economy of scale, inter se allocation shall be done on a pro rata basis and at weighted average price of the day's transactions. The portfolio manager shall not keep any open position in respect of allocation of sales or purchases effected in a day.

(5) A portfolio manager shall segregate each clients' funds and portfolio of securities and keep them separately from its own funds and securities and be responsible for safekeeping of clients' funds and securities.

(6) The portfolio manager shall not hold the securities belonging to the portfolio account, in its own name on behalf of its clients either by virtue of contract with clients or otherwise.

(7) A portfolio manager (except those providing only advisory services) shall appoint a custodian in respect of securities managed or administered by it.

39. The portfolio manager shall ensure that any person or entity involved in the distribution of its services is carrying out the distribution activities in compliance with these regulations and circulars issued thereunder from time to time.

40. The portfolio manager shall report its performance uniformly in the disclosures to the Authority, marketing materials and reports to the clients and on its website.

41. The portfolio accounts of a portfolio manager shall be audited annually and a copy of the certificate shall be given to the client.

42. A portfolio manager shall disclose a change in the identity of the Principal Officer to the Authority and the clients within seven working days of effecting the change."

## Investment advisers

43. An investment adviser may have the following categories as clients:
- (a) a person resident outside India;
  - (b) a non-resident Indian;
  - (c) a non-individual resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted; and
  - (d) an individual resident in India who is eligible under FEMA to invest funds offshore, to the extent allowed in the Liberalized Remittance Scheme of Reserve Bank of India.
44. An investment adviser shall disclose to a prospective client, all material information about itself including its business, disciplinary history, the terms and conditions on which it offers advisory services, affiliations with other intermediaries and such other information so as to enable the client to take an informed decision on whether or not to avail its advisory services.
45. An investment adviser shall make the following disclosures to its clients: -
- (a) its holding or position, if any, in the financial products or securities which are subject matter of advice;
  - (b) any potential or actual conflict of interest arising from any connection to or association with any issuer of products/securities;
  - (c) all material facts relating to the key features of the products or securities, particularly performance track record; and
  - (d) warnings, disclaimers in documents and advertising materials relating to an investment product which it is recommending to the client.
46. (1) An investment adviser shall act in a fiduciary capacity towards its clients and shall disclose all conflicts of interest as and when they arise.
- (2) An investment adviser shall not receive any consideration by way of remuneration or compensation or in any other form from any person other than the client being advised, in respect of the underlying products or securities for which advice is provided.
- (3) An investment adviser shall maintain an arm's-length relationship between its activities as an investment adviser and other activities.
- (4) An investment adviser shall not enter into transactions on its own account which is contrary to the advice given to its clients for a period of 15 days from the day of such advice:
- Provided that during the period of 15 days, if the investment adviser is of the opinion that the situation has changed, then it may enter into such a transaction on its own account after giving such revised assessment to the client at least 24 hours in advance of entering into such transaction.
- (5) An investment adviser shall not act on its own account, knowingly sell securities or investment products to or purchase securities or investment products from a client.
47. An investment adviser shall ensure that, for the purposes of risk profiling, -
- (a) it obtains such information from the client as is necessary for the purpose of giving investment advice;

- (b) it has a process for assessing the risk a client is willing and able to take;
  - (c) risk profile of the client is communicated to the client after completion of risk assessment; and
  - (d) the information provided by clients and their risk assessment is updated periodically.
48. An investment adviser shall ensure that all investments on which investment advice is provided is suitable to the risk profile of the client and is consistent with the client's investment objectives and financial position.
49. (1) An investment adviser shall have client level segregation for investment advisory and distribution services.
- (2) An investment adviser shall maintain an arm's length relationship between its activities as investment adviser and distributor by providing advisory services through a separately identifiable department or division.
  - (3) An individual investment adviser shall not provide distribution services.
50. (1) An investment adviser may provide implementation services to its advisory clients in securities market:
- Provided that the investment adviser shall ensure the following:
- (a) the potential conflicts of interest, if any, are adequately disclosed to its clients; and
  - (b) the fee charged, if any, for the implementation services is pursuant to an agreement with its clients and disclosed in a transparent manner.
- (2) An investment adviser shall provide implementation services to its advisory clients only through direct schemes/products.
  - (3) The client shall not be under any obligation to avail implementation services offered by the investment adviser.

### **Custodians**

51. (1) A custodian shall separate and segregate its custodian activities from all other activities.
- (2) A custodian shall have adequate mechanisms for the purposes of reviewing, monitoring and evaluating the custodian's controls, systems, procedures and safeguards.
  - (3) A custodian shall enter into an agreement with each client and the agreement shall provide details regarding the various circumstances relating to custody of the securities or financial products or funds.
  - (4) A custodian shall have adequate internal controls to prevent any manipulation of records and documents and to protect the records from theft and natural hazard.

### **Credit rating agencies**

52. (1) A credit rating agency shall enter into a written agreement with each client whose securities it proposes to rate, and every such agreement shall include the right and liabilities of each party and fee to be charged by the credit rating agency.
- (2) The client shall agree to disclose, -
    - (a) the rating assigned to the client's securities listed or proposed to be listed in an IFSC by any credit rating agency during the last three years; and

- (b) any rating given in respect of the client's securities listed in an IFSC by any other credit rating agency, which has not been accepted by the client.
53. The client shall provide all co-operation required for arriving at a true and accurate rating of the securities or financial products by the credit rating agency.
  54. The credit rating agency shall disclose to the client the rating assigned to the securities irrespective of whether the rating is or is not accepted by the client.
  55. (1) A credit rating agency shall, during the lifetime of securities rated by it, continuously monitor the rating of such securities and carry out periodic reviews of the rating, unless the rating is withdrawn.
    - (2) A credit rating agency shall disseminate information regarding change in ratings promptly through press releases and simultaneously to the recognised stock exchanges if the securities are listed.
    - (3) A credit rating agency shall not withdraw a rating so long as the obligations under the security rated by it are outstanding, except where the company whose security is rated is wound up or merged or amalgamated with another company, or as may be specified by the Authority from time to time.
  56. (1) A credit rating agency shall make public the definitions of the concerned rating, along with the symbol and also state that the ratings do not constitute recommendations to buy, hold or sell any securities.
    - (2) A credit rating agency shall make available to the general public information relating to the rationale of the ratings, which shall cover an analysis of the various factors justifying a favourable assessment, as well as factors constituting a risk.
  57. (1) A credit rating agency shall specify the rating process and file a copy of the same to the Authority for record.
    - (2) A credit rating agency shall have professional rating committees, comprising members who are adequately qualified and knowledgeable to assign a rating, and all rating decisions shall be taken by the rating committee.
  58. A credit rating agency, shall, while rating a security or a financial product, exercise due diligence in order to ensure that the rating given by the credit rating agency is fair and appropriate.
  59. A credit rating agency shall not rate securities issued by it or by any entity likely to have conflict of interest in any manner other than as remuneration for credit rating.
  60. A credit rating agency shall have appropriate procedures and systems for preventing trading on the basis of unpublished price sensitive information obtained by them in the course of any professional assignment.

#### **Debenture trustees**

61. (1) A debenture trustee shall enter into an agreement with the issuer before the opening of the subscription list for issue of debentures, which shall have the understanding in relation to allocation of duties and responsibilities and other relevant details.
  - (2) A person shall not be appointed as a debenture trustee, in cases where the debenture trustee is an associate of the issuer or is likely to have conflict of interest in any manner other than as remuneration to the debenture trustee.
  - (3) A debenture trustee shall ensure that:
    - (a) It accepts the trust deed which shall contain details on standard information pertaining to the debt issue and details specific to the particular debt issue and shall not contain covenants prejudicial to the interest of the debenture holders;

- (b) The prospectus does not contain any matter which is inconsistent with the terms of the issue of debentures or with the trust deed;
  - (c) It calls for periodical reports/ performance report from the issuer company within seven days of the relevant board meeting or within forty five days of the respective quarter whichever is earlier;
  - (d) It calls for reports on the utilization of funds raised by the issue of debentures;
  - (e) It communicates to the debenture holder defaults, if any, in respect of the payment of interest or redemption of debentures and actions taken thereunder;
  - (f) It appoints a nominee director on the board of the issuer in the event of two consecutive defaults in payment of interest or default in creation of security or default in redemption of debentures. The issuer shall be obliged to provide all requisite support in this regard;
  - (g) The issuer does not breach the terms of the issue of debentures or covenants of the trust deed and take reasonable steps to remedy such breach and it informs the debenture holders immediately of any such breach;
  - (h) The issuer satisfies the conditions, if any, regarding creation of security for the debentures, debenture redemption reserve and recovery expense fund;
  - (i) The assets of the issuer and of the guarantors are sufficient to discharge the interest and principal amount at all times and such assets are free from any other encumbrances except those which are specifically agreed to by the debenture holders;
  - (j) It shall perform all acts necessary for the enforcement of the security and for protection of the interest of the debenture holders;
  - (k) It shall call for reports on the utilization of funds raised by the issue of debentures;
  - (l) It takes steps to convene a meeting of debenture holders as and when required;
  - (m) The debentures have been converted or redeemed in accordance with the terms of the issue of debentures;
  - (n) It takes possession of the trust property in accordance with the terms of the trust deed;
  - (o) The debentures have been credited in the demat accounts of the debenture holders;
  - (p) Debenture holders have been paid the interest due on the debentures and the monies due to them on the date of redemption of the debenture;
  - (q) It informs the Authority immediately of any breach of trust deed or provision of any applicable laws;
  - (r) It obtains reports from the lead bank regarding the progress of the project; and
  - (s) It may inspect books of account, record, registers of the issuer and trust property to the extent necessary for discharging its obligations.
- (4) Before creating a charge on the security for the debentures, the debenture trustee shall exercise independent due diligence to ensure that such security is free from any encumbrance or that it has obtained the necessary consent from other charge-holders if the security has an existing charge, in the manner as may be specified by the Authority from time to time.

- (5) No debenture trustee shall relinquish its assignment as debenture trustee in respect of the debenture issue of any issuer, unless and until another debenture trustee is appointed in its place by the issuer.

### **Account Aggregators**

62. (1) The operations of an account aggregator shall be technologically driven.
- (2) An account aggregator shall have adequate systems and controls to ensure that the integrity of the data and Information Technology systems is maintained at all times.
- (3) An account aggregator shall provide account aggregation services after appropriate agreements or authorisations, as applicable.
- (4) An account aggregator shall separate and segregate its account aggregation activities from all other activities.

## **CHAPTER V**

### **CROSS-BORDER BUSINESS**

63. (1) The provisions of this chapter shall apply to a registered capital market intermediary incorporated in an IFSC, and shall not apply to entities incorporated outside IFSC and operating in an IFSC in the form of branch.
- (2) A registered capital market intermediary may undertake cross-border business in capital markets in India or a Foreign Jurisdiction, subject to the following conditions:
- (a) The intermediary shall ensure that its cross-border business activities in capital markets are in compliance with the applicable regulatory requirements of the other jurisdiction;
- (b) The intermediary shall ring fence its IFSC related capital market activities with its cross-border operations;
- (c) The intermediary shall ensure that it has appropriate risk management and internal controls to ensure that the interests of its clients are adequately protected;
- (d) The intermediary shall ensure that true, correct and adequate disclosures (including risks) are made to its clients regarding its cross-border business.
- (e) The intermediary shall perform KYC norms, client due diligence, Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) in accordance with the following, -
- i. Applicable norms in IFSC in respect of clients onboarded in IFSC; and
- ii. Applicable norms in IFSC or other jurisdiction in respect of clients onboarded in other jurisdiction.
- (f) The intermediary shall maintain records (including details of client, KYC, details of transactions etc.) of its cross-border activities in electronic retrieval form for a period of at least ten years and the same shall be made available to the Authority as and when required;
- (g) The intermediary shall have policies and procedures pertaining to handling of complaints in respect of its cross-border operations;

- (h) The intermediary shall immediately inform the Authority in case any action is taken against the intermediary for its cross-border activities by any financial sector regulator; and
  - (i) The intermediary shall furnish to the Authority such reports as may be specified by the Authority from time to time.
- (3) A registered capital market intermediary undertaking cross-border business operations shall submit an annual certification from an auditor to the Authority that the conditions specified in this Chapter and the regulatory requirements specified by the Authority from time to time, have been complied with, within 90 days of end of each financial year.
- (4) In the event that the cross-border activities of a registered capital market intermediary raise any supervisory concern, the Authority may require the intermediary to put in place additional measures to address the supervisory concern or to discontinue the cross-border business activities.
- (5) A registered capital market intermediary shall abide by such additional requirements as may be specified by the Authority from time to time.

## **CHAPTER VI**

### **INSPECTION**

#### **Inspection**

64. (1) The Authority may *suo motu* or upon receipt of information or complaint at any time appoint one or more persons as inspecting authority to undertake the inspection of the books, accounts, records, and documents of a capital market intermediary, for any purpose, including the purposes as specified under sub-regulation (2).
- (2) The purposes referred to in sub-regulation (1) may include, -
- (a) to ensure that the books of account, records and documents are being maintained in the manner as required under these regulations;
  - (b) to ensure that the provisions of the Act, the regulations and circulars made thereunder, are complied with;
  - (c) to ascertain whether adequate internal control systems, procedures and safeguards have been established or are being followed by the capital market intermediary to fulfil its obligations under these regulations;
  - (d) to ascertain whether any circumstances exist which would render the intermediary unfit or ineligible;
  - (e) to inquire into the complaints received from the investors, clients, other market participants, or any other person on any matter having a bearing on the activities of the intermediary; and
  - (f) to inquire *suo motu* into such matters as may be deemed fit in the interest of investors or the capital market in IFSC.
- (3) Before undertaking an inspection under sub-regulation (1), the inspecting authority shall give a notice to the capital market intermediary:

Provided that where the inspecting authority is satisfied that in the interest of the investors no such notice should be given, it may, for reasons to be recorded in writing, dispense with such notice.

- (4) Notwithstanding anything contained in sub-regulations (1), (2) and (3), the recognised stock exchange, recognised clearing corporation and recognised depository may conduct inspection of registered broker dealer, registered clearing member and registered depository participant respectively, in accordance with their respective bye-laws.
- (5) The Authority and the relevant market infrastructure institution may conduct joint inspection of a capital market intermediary.

#### **Obligations of capital market intermediary on inspection**

65. (1) Where an inspection of a capital market intermediary is undertaken by the Authority, such capital market intermediary and every principal officer, proprietor, partner, designated partner, trustee, director, chairperson, officer, employee and any agent of the intermediary shall provide all assistance and cooperate with the inspection authority and shall furnish books of accounts, records and documents to the inspection authority with such statements and information relating to its activities within such time as decided by the inspection authority.
- (2) The capital market intermediary shall give all assistance as may be required in connection with the inspection and allow the inspecting authority to have reasonable access to its premises and extend reasonable facility for examining any books of accounts, records and documents in its possession, and also provide copies of records or documents or other material which in the opinion of the inspecting authority are relevant for the purposes of the inspection.

#### **Appointment of auditor or valuer**

66. (1) The Authority may appoint an auditor to inspect the books of account, records, documents infrastructures, systems and procedures or affairs of a capital market intermediary:

Provided that the auditor so appointed shall have the same powers of an inspecting authority:

Provided further that a capital market intermediary and its employees shall have the same obligations as specified in regulation 65.

- (2) The Authority may appoint a valuer or direct the capital market intermediary to appoint a valuer, if considered necessary.
- (3) The Authority shall be entitled to recover expenses relating to auditor and valuer from the capital market intermediary.

#### **Submission of report**

67. The inspecting authority shall submit an inspection report including interim reports to the Authority, and the Authority may take such action as it may deem fit and appropriate.

## **CHAPTER VII**

### **MISCELLANEOUS**

#### **Suspension, cancellation of registration or any other actions**

68. (1) The Authority may take such action as deemed fit, including suspension or cancellation of registration, against a capital market intermediary if it:
  - (a) fails to comply with any conditions subject to which a certificate of registration has been granted; or

(b) contravenes any of the provisions of the Act or rules or regulations or circulars or guidelines or directions or instructions issued thereunder.

(2) Without prejudice to sub-regulation (1), a recognised stock exchange may take such action as deemed fit, including suspension, against a registered broker dealer, in accordance with the applicable laws.

(3) Without prejudice to sub-regulation (1), a recognised clearing corporation may take such action as deemed fit, including suspension, against a registered clearing member, in accordance with the applicable laws.

(4) Without prejudice to sub-regulation (1), a recognised depository may take such action as deemed fit, including suspension, against a registered depository participant, in accordance with the applicable laws.

#### **Power to call for information**

69. The Authority may call for any information, documents or records from a capital market intermediary.

#### **Power to remove difficulties**

70. In order to remove any difficulties in the interpretation or application of the provisions of these regulations, the Authority shall have the power to issue directions through guidance notes or circulars.

#### **Power to relax strict enforcement of the regulations**

71. (1) The Authority may, in the interest of development and regulation of financial services in IFSC, relax the strict enforcement of any requirements of these regulations.

(2) For seeking relaxation under sub-regulation (1), an application, giving details and the grounds on which such relaxation has been sought, shall be filed with the Authority along with a non-refundable fee of USD 1500.

(3) The Authority shall process such application within thirty days of the date of receipt of the application complete in all respects and shall record reasons for acceptance or refusal of the relaxations sought by the applicant.

#### **Power to specify procedures and issue clarifications**

72. For the purposes of implementation of these regulations and matters incidental thereto, the Authority may specify norms, procedures, processes etc. by way of circulars or guidelines or directions to capital market intermediaries.

#### **Repeal and Savings**

73. (1) On and from the commencement of these regulations, Chapter III of the Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015 shall not apply in an IFSC.

(2) On and from the commencement of these regulations, Securities and Exchange Board of India (Intermediaries) Regulations, 2008, Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992, Securities and Exchange Board of India (Underwriters) Regulations, 1993, Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994, Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993, Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020, Securities and Exchange Board of India (Investment Adviser) Regulations, 2013 and Securities and Exchange Board of India (Stock-Brokers) Regulations, 1992, Securities and Exchange Board of India (Custodian) Regulations, 1996, Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999, Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018

and Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007 shall not apply in an IFSC.

- (3) The SEBI circular SEBI/HO/IMD/DF1/CIR/P/2020/169 dated September 9, 2020 relating to operating guidelines for portfolio managers in IFSC, SEBI circulars SEBI/HO/IMD /DF1/CIR/P/2020/04 dated January 9, 2020, SEBI/HO/IMD /DF1/CIR/P/2020/31 dated February 28, 2020 and SEBI/HO/IMD/DF1/CIR/P/2020/185 dated September 28, 2020 relating to operating guidelines for investment advisers in IFSC shall stand superseded.
- (4) Notwithstanding anything contained in sub-regulations (1), (2) and (3), any action taken or purported to have been taken under the regulations, guidelines and circulars mentioned in sub-regulations (1), (2) and (3) before the commencement of these regulations shall be deemed to have been done or taken or commenced under the corresponding provisions of these regulations.
- (5) The circulars and guidelines issued by SEBI in relation to the regulations specifically covered under sub-regulation (2) and applicable to a capital market intermediary in an IFSC, shall be deemed to have been issued under these regulations unless and until they are superseded or modified by the Authority.

**Schedule I**

**PART I**

**Application form**

<b>S. No.</b>	<b>Parameters</b>	<b>Information by applicant</b>
1.	Name of the applicant	
2.	Activity for which application is being made	
3.	Address of the registered office  Address for correspondence  Telephone numbers  Name, telephone number (mobile and direct line) and e-mail address of the contact person (Compliance officer / principal officer only)	
4.	Legal status of the applicant  Law under which it is incorporated/ established/ registered  If listed, names on stock exchanges on which it is listed	
5.	Date and place of incorporation or establishment  Date of commencement of business  <i>Please enclose:</i> <ul style="list-style-type: none"><li>○ <i>Certificate of incorporation,</i></li><li>○ <i>Memorandum of association</i></li><li>○ <i>articles of association</i></li><li>○ <i>LLP deed/ partnership deed / trust deed</i></li><li>○ <i>provide statutory provisions or any other constitutional documents under which incorporated or established</i></li><li>○ <i>PAN / Tax Identification Number (if applicable)</i></li></ul>	
6.	Whether present in IFSC in the form of branch or established/ incorporated in IFSC?  If established in the form of branch, provide a declaration that the operations of the branch in IFSC would be ring fenced with the operations of outside IFSC.	

7.	<p>Whether registered with IFSCA or any other regulatory authority in the financial sector?</p> <p>If yes, provide details of registration (registration number, registration date, validity date)</p> <p><i>Please enclose a copy of the certificate of registration</i></p>	
8.	<p>Brief summary of activities already carried out by the applicant in IFSC, or outside IFSC</p>	
9.	<p>Details such as name, designation, business address, telephone number, e-mail address of the principal officers and board of directors / partners / designated partners/ proprietor/ Trustee</p> <p>Please provide a copy of the PAN / Tax Identification Number (if applicable)</p>	
10.	<p>List of major shareholders (5% or more voting rights) / partners</p>	
11.	<p>Financial Information (Balance Sheet and P&amp;L Statement)</p> <p><i>Please enclose financial information not older than six months as on the date of application</i></p>	
12.	<p>Net worth as per the latest financial statements of the applicant</p> <p><i>Please enclose net worth certificate by Chartered Accountant / Company Secretary (or their equivalent in Foreign Jurisdiction) not older than six months as on the date of application.</i></p>	
13.	<p>Details of infrastructure in IFSC</p>	
14.	<p>Business Plan (for at least three years)</p>	
15.	<p>In respect of the applicant or its directors, key managerial personnel or controlling shareholders, whether#:</p>	
(a)	<p>The person has been convicted of any economic offence? If yes, provide details.</p>	
(b)	<p>Any recovery proceeding has been initiated against the person by a financial regulatory authority and is pending? If yes, provide details.</p>	
(c)	<p>Any order for winding up has been passed against the person for malfeasance? If yes, provide details.</p>	
(d)	<p>The person has been declared insolvent and not discharged? If yes, provide details.</p>	

(e)	Any order, restraining, prohibiting or debarring the person from accessing or dealing in financial products or financial services, has been passed by any regulatory authority? If yes, provide details.	
(f)	Any other order has been passed by any regulatory authority against the person which has a bearing on the securities market? If yes, provide details.	
(g)	The person has been found to be of unsound mind by a court of competent jurisdiction? If yes, provide details.	
(h)	The person has been categorized as wilful defaulter? If yes, provide details.	
(i)	The person has been declared as a fugitive economic offender? If yes, provide details.	

**#A declaration regarding compliance with fit and proper requirements specified in these regulations shall be provided by the applicants.**

**Additional information for the various categories of intermediaries:**

**A. Broker dealer / Clearing Member**

1. Name of Member with Code No.
2. Trade name of member
3. Name of the stock exchange/ clearing corporation of which the applicant is the member
4. Date of admission to exchange / clearing corporation

The application form for broker dealer / clearing member shall be accompanied by a recommendation of the stock exchange / clearing corporation.

**B. Depository Participant**

1. Name of Depository in which the applicant will be acting as participant.
2. Provide the following details regarding safekeeping and security systems and procedures:
  - i. risk control and operations manuals;
  - ii. give details of independent internal control mechanisms for monitoring evaluation and review of accounting, and reporting systems and procedures.
3. Please provide the following details regarding automatic data processing systems and record keeping:
  - i. details of hardware, software and communications systems, their capability, function and location;
  - ii. details of data storage and back up procedures and sites, their capability, function and location;
  - iii. details of disaster recovery systems and procedures.
4. Details of insurance cover to be taken up.

5. A declaration from the depository in which the applicant is to act as participant that:
  - i. the applicant is eligible to act as depository participant and meets with the eligibility criteria specified in these regulations and in the depository's bye-laws; and
  - ii. the applicant has adequate automatic data processing systems, adequate and competent staff, risk management systems, procedures and manuals, disaster recovery procedures, secure data storage and off site back up facilities, adequate communications links and insurance to fulfil its obligations as participant to the satisfaction of the depository.

The application form for depository participant shall be accompanied by a recommendation of the depository.

### **C. Investment bankers**

1. Experience of key managerial personnel, particularly in investment banking activities.
2. Details of infrastructure shall include details regarding computing facilities, equity research and other relevant information relating to investment banking activities.
3. Experience in handling the activities relating to investment banking during the last 3 years, if applicable.
4. Details of Banking Unit.
5. Name and address of the auditors.

### **D.** <sup>14</sup>[\*\*\*]

### **E. Investment Advisers**

1. Number of principal officers and persons who propose to render investment advice under these regulations on behalf of the applicant.
2. Provide details regarding qualification, work experience and certification of the principal officers and persons associated with investment advice.
3. Provide a copy of the relevant certifications.
4. Details about business plan shall include information about:

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<sup>14</sup> Omitted by IFSCA (Fund Management) Regulations, 2022, w.e.f. 19-05-2022. Prior to omission, it read as under:

#### **“Portfolio Managers**

1. Provide details regarding qualification, work experience and certification of the principal officers.
2. Provide a copy of the relevant certifications.
3. Details about business plan shall include information regarding:
  - a. Risk profiling procedure to be followed
  - b. Accounting system to be followed
  - c. Various research and database facilities
  - d. Activities proposed to be outsourced
4. Details of custodian
5. Details of Banking Unit
6. Details of auditor
7. A copy of the Disclosure Document
8. Additional Declarations:
  - a. Declaration regarding compliance with qualification and certification requirements specified in these regulations.
  - b. Declaration regarding type and frequency of reports sent/ proposed to be sent to clients.
  - c. Declaration regarding submission of periodic reports to IFSCA.
  - d. Declaration regarding maintenance of records for investment rationale.
  - e. Declaration regarding availability of Disclosure document on its website.”

- a. Type of clients
- b. Type of products/ securities on which investment advice is proposed to be rendered
- c. Process for risk profiling of the client and for assessing suitability of advice.

5. Additional Declarations:

- a. Declaration by the applicant that its principal officer and persons associated with investment advice shall comply with qualification and certification requirements specified in these regulations.
- b. Declaration that the applicant shall not obtain any consideration by way of remuneration or compensation or any other form whatsoever, from any person other than the client being advised, in respect of the underlying products or securities for which advice is provided to the client.

**F. Custodians**

1. Please indicate services that are provided to clients or are proposed to be provided to clients as custodian.
2. Provide details regarding qualification and experience of key managerial personnel.
3. Details about past experience in custodian activities, particularly during the last 3 years.
4. Details about infrastructure shall include details regarding automatic data processing systems and record keeping, back up procedures and disaster recovery systems and procedures.
5. Provide details regarding safekeeping and security systems and procedures.

**G. Credit Rating Agencies**

1. Provide details regarding qualification and experience of key managerial personnel.
2. Details about infrastructure shall include details regarding computing facilities, facilities for research and database available with the applicant.
3. Details about past experience in credit rating activities and other activities, particularly during the last 3 years.

**H. Debenture Trustees**

1. Provide details regarding qualification and experience of key managerial personnel.
2. Details about past experience in debenture trustee related activities, particularly during the last 3 years.

**I. Account Aggregators**

1. Provide details infrastructure shall include details about the IT systems.
2. Details about past experience in account aggregation activities, particularly during the last 3 years.

**Declaration-cum-undertaking [Applicable for all categories of applicants]**

We hereby agree and declare that the information supplied in the application, including the attachment sheets, is complete and true to our knowledge.

We undertake to notify the International Financial Services Centres Authority (IFSCA) immediately of any material change in the information provided in the application.

We further undertake to comply with, and be bound by the International Financial Services Centres Authority Act, 2019, and the regulations, circulars, guidelines and instructions thereunder as issued by IFSCA from time to time.

We further agree that as a condition of registration, we shall abide by such instructions or directives as may be issued by IFSCA from time to time.

For and on behalf of (Please insert name of the applicant)

Authorised signatory

(Name)(Signature)

Date:

Place:

## Part II

### Simplified Application Form

S. No.	Parameters	Information by applicant
1.	Name of the applicant	
2.	Activity for which application is being made	
3.	Address of the registered office  Address for correspondence  Telephone numbers  Name, telephone number (mobile and direct line) and e-mail address of the contact person (Compliance officer / principal officer only)	
4.	Legal status of the applicant  Law under which it is incorporated/established /registered  If listed, names on stock exchanges on which it is listed	
5.	Date and place of incorporation or establishment  Date of commencement of business  <i>Please enclose:</i> <ul style="list-style-type: none"><li>○ <i>certificate of incorporation,</i></li><li>○ <i>memorandum of association</i></li><li>○ <i>articles of association</i></li><li>○ <i>LLP deed/ partnership deed / trust deed</i></li><li>○ <i>provide statutory provisions or any other constitutional documents under which incorporated or established</i></li></ul>	
6.	Whether present in IFSC in the form of branch or established/ incorporated in IFSC?  If established in the form of branch, provide a declaration that the operations of the branch in IFSC would be ring fenced with the operations of outside IFSC	
7.	Details such as name, designation, business address, telephone number, e-mail address of the principal officers and board of directors / partners / designated partners/ proprietor/ Trustee	

8.	<p>Net worth as per the latest audited financial statements of the applicant</p> <p><i>Please enclose net worth certificate (not older than six months as on the date of application) by a chartered accountant or its equivalent under the laws in force of the jurisdiction in which the applicant is registered or incorporated.</i></p>	
9.	<p>Provide details of registration (registration number, registration date, validity date) with any other regulatory authority in the same category.</p> <p><i>Please enclose a copy of the certificate of registration</i></p>	

**#A declaration regarding compliance with fit and proper requirements specified in these regulations shall be provided by all the applicants.**

**Additionally, with respect to <sup>15</sup>[\*\*\*] Investment Advisers, declaration shall be provided regarding compliance with qualification and certification requirements specified in these regulations.**

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<sup>15</sup> Omitted by IFSCA (Fund Management) Regulations, 2022, w.e.f. 19-05-2022. Prior to omission, it read as under:  
**“Portfolio Managers and”**

**Declaration-cum-undertaking [Applicable for all categories of applicants]**

We hereby agree and declare that the information supplied in the application, including the attachment sheets, is complete and true to our knowledge.

We undertake to notify the International Financial Services Centres Authority (IFSCA) immediately of any material change in the information provided in the application.

We further undertake to comply with, and be bound by the International Financial Services Centres Authority Act, 2019, and the regulations, circulars, guidelines and instructions thereunder as issued by IFSCA from time to time.

We further agree that as a condition of registration, we shall abide by such instructions or directives as may be issued by IFSCA from time to time.

For and on behalf of (Please insert name of the applicant)

Authorised signatory

(Name)(Signature)

Date:

Place:

## Schedule II

### Net worth requirements

S. No.	Category	Net worth	
		Entities incorporated in India (including IFSC)	Foreign Entities
1	Broker dealer	As specified by recognised stock exchange	As specified by recognised stock exchange, subject to minimum of USD 135,000
2	Clearing Member	As specified by recognised clearing corporation	As specified by recognised clearing corporation, subject to minimum of USD 1,350,000
	Self-clearing member	As specified by recognised clearing corporation	As specified by recognised clearing corporation, subject to minimum of USD 675,000
3	Depository Participant	As specified by depository	As specified by depository
4	Investment Banker	USD 750,000	USD 1.5 million
5 <sup>16</sup> [***]			
6	Investment Adviser	USD 500,000	USD 1 million
7	Custodian	USD 7 million	As specified by the Authority from time to time
8	Credit Rating Agency	USD 3 million	USD 6 million
9	Debenture Trustee	USD 1.5 million	USD 3 million
10	Account aggregator	USD 500,000	USD 1 million

<sup>16</sup> Omitted by IFSCA (Fund Management) Regulations, 2022, w.e.f. 19-05-2022. Prior to omission, it read as under:

5	Portfolio Manager	USD 750,000	USD 1.5 million
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**SCHEDULE III**  
**CODE OF CONDUCT**

**Part A – Code of Conduct applicable to all capital market intermediaries**

A capital market intermediary:

1. Shall make all efforts to protect the interest of investors and render the best possible advice to the clients having regard to the needs of the clients, environment and its own professional skills.
2. Shall in the conduct of its business, observe high standards of integrity and fairness and fulfil its obligations in a prompt, ethical and professional manner.
3. Shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment.
4. Shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains.
5. Shall not create false market either singly or in collusion with other intermediaries or the issuer in a manner that is detrimental to the interests of investors, or which leads to interference with the fair and smooth functioning of the market.
6. Shall endeavour to ensure that inquiries and grievances of the investors are dealt with in a timely and appropriate manner.
7. Shall not make any exaggerated statement either oral or in written form to the client about its capability, qualification and achievement in regard to services rendered to the client.
8. Shall maintain confidentiality with respect to the information about its clients, except where such disclosures are required to be made in compliance with any law for the time being in force.
9. Shall avoid conflict of interest and make adequate disclosure of its possible conflict of interest and duties and shall put in place a mechanism to resolve any conflict-of-interest situation.
10. Shall not indulge in any unfair competition, which is likely to harm the interests of other capital market intermediaries and investors.
11. Shall not discriminate amongst its clients, save and except on ethical and commercial considerations.
12. Shall ensure that any change in registration status/any penal action taken by Authority or any material change in financials which may adversely affect the interests of clients/investors is promptly informed to the clients.
13. Shall inform the Authority promptly about any action initiated against it in respect of material breach or non-compliance of any law, regulations and direction issued by the Authority or any other regulatory body.
14. Shall ensure that it and any of its employees shall not render, directly or indirectly any investment advice about any security in the publicly accessible media, unless a disclosure of its interest in the said security has been made while rendering such advice.
15. Shall ensure that it or any of its principal officers, directors, or employees having power of management shall not either on its own account or through their relatives or friends indulge in insider trading.
16. Shall have and employ effectively appropriate resources and procedures which are needed for the efficient performance of its business activities.

17. Shall have internal control procedures and financial and operational capabilities adequate enough to protect the clients and investors from financial loss arising from theft, fraud, omissions and professional misconduct.
18. Shall develop its own internal code of conduct for governing its internal operations and conduct of its employees.
19. Shall ensure that the compliance officer / Compliance Officer has adequate freedom and power for effective discharge of his duties.
20. Shall ensure that any person it employs or appoints is a fit and proper person and otherwise qualified to act in the capacity so employed or appointed.
21. Shall not be a party to or instrumental for:
  - (a) creation of false market;
  - (b) price rigging or manipulation;
  - (c) passing of unpublished price sensitive information to any other intermediary or any person, in respect of any securities which are listed and proposed to be listed in any stock exchange.
22. The senior management of a capital market intermediary shall bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the intermediary.
23. Shall not make untrue statement or suppress any material fact in any documents, reports or information furnished to the Authority.
24. Shall not make a recommendation to any client or investor who may be expected to rely thereon to acquire, dispose of or retain any securities unless he has reasonable grounds to believe that the recommendation is suitable.

## **Part B**

In addition to compliance with the code of conduct as specified in Part A of this Schedule, the following capital market intermediaries shall abide by the following code of conduct:

### **A. A broker dealer or a clearing member:**

1. Shall abide by all the provisions of the Act and the rules, regulations issued by the Government of India, the Authority and the recognised stock exchange / recognised clearing corporation from time to time as may be applicable.
2. Shall not involve itself in excessive speculative business in the market beyond reasonable levels not commensurate with its financial soundness.
3. Shall faithfully execute the orders for buying and selling of securities at the best available price and not refuse to deal with a small investor merely on the ground of the volume of business involved.
4. Shall promptly inform its client about the execution or non-execution of an order, and make prompt payment in respect of securities sold and arrange for prompt delivery of securities purchased by its clients.
5. Shall issue without delay to its client a contract note for all transactions in the form specified by the stock exchange.

6. Shall not encourage sales or purchases of securities with the sole object of generating brokerage or commission.
7. Shall not furnish false or misleading quotations or give any other false or misleading advice or information to the clients with a view of inducing them to do business in particular securities and enabling itself to earn brokerage or commission thereby.
8. Shall not deal or transact business knowingly, directly or indirectly or execute an order for a client who has failed to carry out its commitments in relation to securities with another broker dealer.
9. Shall not advertise its business publicly unless permitted by the stock exchange.
10. Shall not resort to unfair means of inducing clients from other broker dealer.

**B. A depository participant:**

1. Shall not increase charges/fees for the services rendered without proper advance notice to the beneficial owners.
2. Shall be prompt and diligent in opening of a beneficial owner account, dispatch of the dematerialisation request form, rematerialisation request form and execution of debit instruction slip and in all the other activities undertaken by it on behalf of the beneficial owners.
3. Shall take adequate and necessary steps to ensure that continuity in data and record keeping is maintained and that the data or records are not lost or destroyed. It shall also ensure that for electronic records and data, up-to-date back up is always available with it.
4. Shall ensure that it has satisfactory internal control procedures in place as well as adequate financial and operational capabilities which can be reasonably expected to take care of any losses arising due to theft, fraud and other dishonest acts, professional misconduct or omissions.

**C. An investment banker:**

1. Shall ensure that adequate disclosures are made to the investors in a timely manner in accordance with the applicable regulations and guidelines so as to enable them to make a balanced and informed decision.
2. Shall endeavour to ensure that the investors are provided with true and adequate information without making any misleading or exaggerated claims or any misrepresentation and are made aware of the attendant risks before taking any investment decision.
3. Shall ensure that copies of the prospectus, offer document, letter of offer or any other related document is made available to the investors at the time of issue or the offer.
4. Shall not discriminate amongst its clients, save and except on ethical and commercial considerations.
5. Shall maintain arm's-length relationship between its investment banking activity and any other activity.
6. Shall demarcate the responsibilities of the various intermediaries appointed by it clearly so as to avoid any conflict or confusion in their job description.

**D. A banker to an issue:**

1. Shall not allow blank application forms bearing brokers stamp to be kept at the bank premises or peddled anywhere near the entrance of the premises.

2. Shall not accept applications after office hours or after the date of closure of the issue or on bank holidays.
3. Shall not part with the issue proceeds until listing permission is granted by the stock exchange to the body corporate.
4. Shall not delay in issuing the final certificate pertaining to the collection figures to the lead manager and the body corporate.

**E.** <sup>17</sup>[\*\*\*]

**F. An investment adviser:**

1. Shall seek from its clients, information about their financial situation, investment experience and investment objectives relevant to the services to be provided and maintain confidentiality of such information.
2. Shall make adequate disclosures of relevant material information while dealing with its clients.
3. Shall ensure that fees charged to the clients is fair and reasonable.

**G. A custodian:**

1. Shall be prompt in distributing dividends, interest or any such accruals of income received or collected by it on behalf of its clients on the securities held in custody.
2. Shall be continuously accountable for the movement of securities or financial products in and out of the custody account, deposit, and withdrawal of cash from the client's account and shall provide complete audit trail, whenever called for by the client or the Authority.
3. Shall establish and maintain adequate infrastructural facility to be able to discharge custodial services to the satisfaction of clients, and the operating procedures and systems of the custodian shall be well documented and backed by operations manuals.
4. Shall take precautions necessary to ensure that continuity in record keeping is not lost or destroyed and that sufficient back up of records is available.
5. Shall create and maintain the records of securities held in custody in such manner that the tracing of securities or obtaining duplicate title documents is facilitated, in the event of loss of original records for any reason.

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<sup>17</sup> Omitted by IFSCA (Fund Management) Regulations, 2022, w.e.f. 19-05-2022. Prior to omission, it read as under:

**“A portfolio manager:**

1. Shall ensure that the money received from the client for an investment purpose is deployed as soon as possible for that purpose and money due and payable to a client is paid forthwith.
2. Shall not execute any trade against the interest of the clients in its proprietary account.
3. Shall obtain in writing, interest of the client in various corporate bodies which enables such client to obtain unpublished price sensitive information of such corporate bodies.
4. Shall where necessary and in the interest of the client, take adequate steps for the transfer of the clients’ securities and for claiming and receiving dividends, interest payments and other rights accruing to the client.
5. Shall take necessary action for conversion of securities and subscription for renunciation of rights in accordance with the clients’ instruction.
6. Shall not use its status as any other registered intermediary to unduly influence the investment decision of the clients while rendering portfolio management services.
7. Shall not make any statement or indulge in any act, practice or unfair competition, which is likely to be harmful to the interests of other portfolio managers or is likely to place such other portfolio managers in a disadvantageous position in relation to the portfolio manager himself, while competing for or executing any assignment.
8. Shall endeavour to –
  - a. ensure that the investors are provided with true and adequate information without making any misguiding or exaggerated claims and are made aware of attendant risks before any investment decision is taken by them;
  - b. render the best possible advice to the client having regard to the client's needs and the environment, and his own professional skills; and
  - c. ensure that all professional dealings are effected in a prompt, efficient and cost effective manner.”

6. Shall extend to other custodial entities, depositories and clearing organizations all such co-operation that is necessary for the conduct of business in the areas of inter custodial settlements, transfer of securities and transfer of funds.
7. Shall ensure that an arm's length relationship is maintained, both in terms of staff and systems, from its other businesses.
8. Shall exercise due diligence in safe-keeping and administration of the assets of its clients in its custody for which it is acting as custodian.

**H. A credit rating agency:**

1. Shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment in order to achieve and maintain objectivity and independence in the rating process.
2. Shall maintain an arm's length relationship between its credit rating activity and other activities.
3. Shall have a reasonable and adequate basis for performing rating evaluations, with the support of appropriate and in-depth rating researches. It shall also maintain records to support its decisions.
4. Shall have in place a rating process that reflects consistent and international rating standards.
5. Shall disclose its rating methodology to clients, users and the public.
6. Shall not indulge in any unfair competition nor shall it wean away the clients of any other rating agency on assurance of higher rating.
7. Shall keep track of all important changes relating to the client companies and shall develop efficient and responsive systems to yield timely and accurate ratings. Further a credit rating agency shall also monitor closely all relevant factors that might affect the creditworthiness of the issuers.
8. Shall, wherever necessary, disclose to the clients, possible sources of conflict of duties and interests, which could impair its ability to make fair, objective and unbiased ratings. Further it shall ensure that no conflict of interest exists between any member of its rating committee participating in the rating analysis, and that of its client.
9. Shall ensure that there is no misuse of any privileged information including prior knowledge of rating decisions or changes.
10. Shall develop its own internal code of conduct for governing its internal operations and laying down its standards of appropriate conduct for its employees and officers in the carrying out of their duties within the credit rating agency and as a part of the industry.

**I. A debenture trustee:**

1. Shall ensure that adequate disclosures are made to the debenture holders, in a comprehensible and timely manner so as to enable them to make a balanced and informed decision.
2. Shall take all reasonable steps to establish the true and full identity of each of its clients, and of each client's financial situation and maintain record of the same.
3. Shall share information available with it regarding client companies, with credit rating agencies.

4. Shall make reasonable efforts to avoid misrepresentation and ensure that the information provided to the debenture holders is not misleading.

**J. An account aggregator:**

1. Shall ensure to maintain data privacy in accordance with the applicable laws.
2. Shall not part with any information that it may come to acquire from/ on behalf of a customer.
3. Shall ensure maintain arm's-length relationship between its account aggregation activity and any other activities.