

CIRCULAR

Circular No.

20201020-1

Circular Date

20201020

Category

Regulatory and Compliance

Segment

ALL

Subject

Market access through Authorized Persons

Attachments

- [Annexure](#)

Circular Ref No. 20201020-01

October 20, 2020

Subject: Market access through Authorized Persons

Reference is drawn to the IFSCA circular no. F.No. 68/IFSCA/MRD-AP/2020-21 dated October 14, 2020 along with the Exchange circular no. 20201014-1 dated October 14, 2020 on Market access through Authorized Persons.

With a view to expand the depth and reach of the market for exchange traded securities in IFSC, stock brokers/trading members of India INX (herein after referred to as 'Exchange') are now permitted to access investors through Authorized Persons based in foreign jurisdictions. The stock exchanges have the operational flexibility to prescribe requirements/guidelines for the same from time to time, while meeting the framework specified by the Authority.

Further to the same, the below requirements/guidelines may be noted:

A. Who can be an Authorised Person and procedure for appointment:

1. Any person - individual, partnership firm, LLP or body corporate – who is appointed as such by a stock broker /trading member and who provides access to the trading platform of the Exchange as an agent of the stock broker.
2. A stock broker/trading member may appoint one or more Authorized Person(s) after obtaining specific prior approval from the Exchange concerned for each such person.
3. The stock broker/trading member shall select a person in compliance with the criteria laid down by the Exchange and the framework prescribed by the regulator and for appointment as an Authorized Person forward the application of the person to the Exchange for approval as per details and formats given in the **Annexure** to this circular.
4. The Exchange may accord or refuse approval on satisfying itself based on whether the person is eligible for appointment as Authorized Person.

B. Eligibility Criteria

I. An individual is eligible to be appointed as Authorized Person if he:

- a) is a citizen of India or a citizen of any of the Financial Action Task Force (FATF) compliant jurisdictions;
- b) is not less than 18 years of age;
- c) has not been convicted of any economic/financial offence in his home jurisdiction or overseas;
- d) has a good reputation and character;
- e) is a graduate from a recognized institution in the jurisdiction of his citizenship; and
- f) the approved users and / or sales personnel of the Authorized Person shall have the certification in Equity Derivatives or Commodity Derivatives or Currency Derivatives or Combined Derivatives or Securities Markets Module or equivalent certifications recognised by the securities markets regulator of their home jurisdiction at all points of time.

II. A partnership firm, LLP or a body corporate is eligible to be appointed as an Authorized Person if;

- a) it is incorporated in the IFSC or in any of the FATF compliant jurisdictions or which is governed by an FATF style regional body
- b) if all the partners or directors, as the case may be, comply with the requirements contained in clause I above
- c) the object clause of the partnership deed or of the Memorandum of Association contains a clause permitting the person to deal in securities business

III. Infrastructure: The authorised person shall have the necessary infrastructure like adequate office space, equipment and manpower to effectively discharge the activities on behalf of the stock broker/trading member.

C. Conditions of Appointment

The following are the conditions of appointment of an Authorized Person:

- a) The stock broker/trading member shall be responsible for all acts of omission and commission of the Authorized Person.
- b) All acts of omission and commission of the Authorized Person shall be deemed to be those of the stock broker/trading member.
- c) The Authorized Person shall not receive or pay any money or securities in its own name or account. All receipts and payments of securities and funds shall be in the name or account of the stock broker/trading member.
- d) The Authorized Person shall receive his remuneration - fees, charges, commission, salary, etc. - for his services only from the stock broker/trading member and he shall not charge any amount from the clients.
- e) A person shall not be appointed as an Authorized Person by more than one stock broker/trading member of the Exchange.
- f) A partner or director of an Authorized Person shall not be appointed as an Authorized Person on the Exchange.
- g) The stock broker/trading member and Authorized Person shall enter into written agreement(s) in the form(s) specified by the Exchange. The agreement shall inter-alia cover the scope of the activities, responsibilities, confidentiality of information, commission sharing, termination clause, etc.

D. Withdrawal of Approval

The approval given to an Authorized Person shall be withdrawn by the Exchange:

- a) on receipt of a request to that effect from the concerned stock broker/trading member or the Authorized Person, subject to compliance with the requirements prescribed by the Exchange from time to time.
or
- b) on being satisfied that the continuation of the Authorized Person is detrimental to the interest of investors or the securities market
or
- c) the Authorized Person at a subsequent date fails to fulfil the eligibility criteria specified.

E. Obligations of the Stock Broker/Trading member

- a) The stock broker/trading member shall be responsible for all acts of omission and commission of his Authorized Person(s) and/or their employees, including liabilities arising therefrom

- b) If any trading terminal is provided by the stock broker/trading member to an Authorized Person, the place where such trading terminal is located shall be treated as the branch office of the stock broker/trading member.
- c) The stock broker/trading member shall display at each branch office additional information such as particulars of the Authorized Person in charge of that branch, time lines for dealing through the Authorized Person etc., as may be specified by the stock exchange
- d) The stock broker/trading member shall notify changes, if any, in the Authorized Person to all registered clients of that branch at least thirty days before the change
- e) The stock broker/trading member shall conduct periodic inspection of branches assigned to the Authorized Persons and the records of the operations carried out by them
- f) The client shall be registered with the stock broker/trading member only. The funds and securities of the clients shall be settled directly between the stock broker/trading member and the client and all documents like contract notes, statement of funds and securities shall be issued to the client by the stock broker/trading member. The Authorized Person may provide administrative assistance in procurement of documents and settlement but shall not issue any document to the client in his own name. No fund/securities of the clients shall be credited to the accounts of the Authorized Person.
- g) On noticing any irregularities in the operations of the Authorized Person, the stock broker shall:
 - i. seek withdrawal of approval of the Authorized Person,
 - ii. withhold all moneys due to Authorized Person till resolution of client complaint,
 - iii. alert clients / potential investors in the location where such an Authorized Person operates,
 - iv. file a complaint with the police and take all measures required to protect the interest of the investors and the market

Members are requested to take note of the same.

In case of any queries/clarifications, you may contact us on the below nos.

Sr.No.	Name of the official	Phone	Email
1	Amit Bisht	079 6199 3135	inxmembership.ops@indiainx.com
2	Vinayak Kapoor	079 6199 3193	

For and on behalf of India International Exchange (IFSC) Limited,

Ajit Phanse
Chief Regulatory Officer