THE GAZETTE OF INDIA

EXTRAORDINARY

PART III – SECTION 4

PUBLISHED BY AUTHORITY

SECURITIES AND EXCHANGE BOARD OF INDIA

NOTIFICATION

Mumbai, the 17th October, 2007

IndiaCode

SECURITIES AND EXCHANGE BOARD OF INDIA

(CERTIFICATION OF ASSOCIATED PERSONS IN THE SECURITIES MARKETS) REGULATIONS, 2007

F. No. 11/LC/GN/2007/4567. In exercise of the powers conferred by section 30 read with sections 11, 12 and 19 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board hereby makes the following regulations, namely:-

CHAPTER I

PRELIMINARY

Short Title and Commencement.

1. (1) These regulations may be called the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007.

(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: -

(a) "Act" means the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(b) "agent" means any person who is engaged in the activity of sale or distribution of securities on behalf of an issuer or a distributor for a commission or any other consideration;

(c) "associated person" means a principal or employee of an intermediary or an agent or distributor or other natural person engaged in the securities business and includes an employee of a [1][foreign portfolio investor] or a foreign venture capital investor working in India;

(d) "Board" means the Securities and Exchange Board of India established under section 3 of the Act;

(e) "certificate" means the certificate granted by NISM in accordance with these regulations;

(f) "Continuing Professional Education" (CPE) means any course, programme, training programme, activity, conference, seminar that has been accredited or approved by NISM to enhance the knowledge, skills and professional competency of associated persons in the areas of securities, governance and ethics;

(g) "distributor" means any person engaged by an intermediary or an issuer for the purpose of sale or distribution of securities;

(h) "intermediary" means an entity registered under sections 11 or 12 of the Act and includes any person required to obtain any membership or approval from a stock exchange or a self-regulatory organization;

(i) "issuer" means a company or a mutual fund or a collective investment scheme which has issued or proposes to issue securities to the public in accordance with the relevant regulations or guidelines made by the Board and

[1] Substituted for "foreign institutional investor" by the SEBI (Foreign Portfolio Investors) Regulations, 2014, w.e.f. 7-1-2014.

also includes a venture capital fund registered under the relevant regulations or guidelines made by the Board;

(j) "NISM" means the National Institute of Securities Markets established by the Board;

(k) "principal" means persons who are actively engaged in the management of the intermediary's securities business including supervision, solicitation, conduct of business, and includes:

(1) Sole Proprietors

(2) Managing Partners and

(3) Whole Time Directors

(l) "securities" means securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956).

(2) Words and expressions used and not defined in these regulations shall have the meanings, if any, respectively assigned to them by or under the Act or the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or the Companies Act, 1956 (1 of 1956) or the Depositories Act, 1996 (22 of 1996) or rules and regulations made thereunder or any amendment thereto or re-enactment thereof.

IndiaCode

CHAPTER II

CERTIFICATION OF ASSOCIATED PERSONS

Obligation to obtain certificate

3. (1) The Board may by notification in the Official Gazette require such categories of associated persons to obtain requisite certificate for engagement or employment with such classes of intermediaries and from such date as may be specified in the notification:

Provided that an associated person employed or engaged by an intermediary prior to the date specified by the Board may continue to be employed or engaged by the intermediary if he obtains the certificate within two years from the said date.

(2) An associated person on being employed or engaged by an intermediary on or after the date specified by the Board shall obtain the certificate within one year from the date of being employed or engaged by the intermediary.

(3) An associated person who, as on the date specified by the Board, holds a certificate for a category as recognized by the Board shall not be required to obtain a fresh certificate for the same category during the validity of such certificate.

(4) The Board for the purpose of issuing notification under sub regulations (1) and (2) shall take into consideration:

(a) whether the associated person as part of his work or operation deals or interacts with the investors, issuers or clients of intermediaries;

(b) whether the associated person deals with assets or funds of investor or clients;

(c) whether the associated person handles redressal of investor grievances;

(d) whether the associated person is responsible for internal control or risk management;

(e) whether the associated person is responsible for compliance of any rules or regulations;

(f) whether the associated person is engaged in activities that have a bearing on operational risk of the intermediary.

Manner of obtaining certificate

4. (1) Subject to the provisions of this regulation, an associated person may obtain the certificate in any of the following manners, namely:-

(a) by passing a certification examination conducted by any organization or self regulatory organization approved or engaged as may be specified by NISM from time to time; or

(b) by obtaining such number of classroom credits accumulated through attending classes on such subjects as may be specified by NISM from time to time; or

(c) by delivering such number of formal classroom sessions in all or specific programmes of continuing professional education as may be specified by NISM from time to time.

IndiaCode

(2) An associated person being principal shall obtain the certificate in any of the manners specified in clause (a) or clause (b) or clause (c) of sub regulation (1).

(3) An associated person, other than a principal, who has attained the age of fifty years or who has atleast ten years experience in the securities markets in the activities mentioned in sub regulation (4) of regulation 3 on the date specified in the notification issued under sub regulation (1) of regulation 3, shall obtain the certificate in the relevant category in the manner specified in clause (a) or clause (b) of sub regulation (1).

(4) An associated person other than those mentioned in sub regulation (2) or sub regulation (3) shall obtain the certificate in the manner specified in clause (a) of sub regulation (1).

Validity period of certificate

5. (1) The certificate granted under regulation 3 shall be valid for a period of three years from the date of the grant of the certificate or revalidation thereof as the case may be.

(2) Upon expiry of the validity of certificate possessed by an associated person, the certificate shall be revalidated for a period of three years at a time, provided the associated person successfully completes a programme of continuing professional education specified by NISM in accordance with Chapter IV of these regulations.

Associated person not to undertake certain activities without a valid certificate

6. No associated person engaged in any of the activities mentioned in clauses (a) to (f) of sub regulation (4) of regulation 3 shall continue to be so engaged after the date specified in sub regulation (1) or sub regulation (2) of regulation 3, as the case may be, unless such associated person holds a valid certificate.

IndiaCode

CHAPTER III

POWERS AND FUNCTIONS OF NISM

Powers and functions of NISM

7. (1) NISM would perform the functions delegated to it under these regulations or as may be delegated by the Board.

(2) Without prejudice to the generality of the foregoing provisions and the activities of NISM under its articles, the functions of NISM in respect of certification for associated persons in the securities market shall include putting in place and implementing the certification process, procedure and policies.

(3) NISM in consultation with the Board may lay down standards which may –

(a) specify that all or any portion of such standards shall be applicable to all or any category of associated persons working or associated with all or any class of intermediaries in securities market;

(b) specify that no associated person in any such class may be qualified to be employed or engaged or continued to be employed or engaged by an intermediary unless he is in compliance with such standards of examination, continuing professional education requirements and such other qualifications as NISM in consultation with the Board may specify.

Conduct of certification examination and programmes of continuing professional education

8. For conducting certification examination and programme of continuing professional education, NISM may:

(1) accredit, approve or engage any organization or self regulatory organization to administer certification examinations.

(2) accredit, approve or engage any organization or self regulatory organization to conduct all or any programme of continuing professional education as may be specified from time to time.

(3) require all associated persons appearing for certification examinations or undergoing programme of continuing professional education to pay reasonable fees or charges to defray the costs incurred in conducting such certification examinations and programmes of continuing professional education.

IndiaCode

CHAPTER IV

CONTINUING PROFESSIONAL EDUCATION REQUIREMENTS

Continuing Professional Education requirements for associated persons

9. (1) NISM may specify the requirements for continuing professional education (CPE) for associated persons holding certificate and approve the programmes of CPE that may be conducted by entities accredited and engaged in accordance with regulation 8.

(2) No intermediary shall permit any associated person to continue and no associated person shall continue to perform duties as an associated person unless such person has complied with the requirements specified by NISM under sub regulation (1) within 3 years from the date of obtaining the certificate or revalidation thereof.

(3) The requirements of sub regulations (1) and (2) shall apply to associated persons who are engaged in any of the activities mentioned in clauses (a) to (f) of sub regulation (4) of regulation 3.

IndiaCode

Intermediary to ensure participation in continuing professional education

10. (1) Each intermediary shall be responsible to ensure that its associated persons participate in a programme of continuing professional education approved by NISM under sub regulation (1) of regulation 9.

(2) Associated persons shall take all appropriate and reasonable steps to participate in a programme of continuing professional education as required by the intermediary.

CHAPTER V

MISCELLANEOUS

Certification of associated persons to be pre-condition for registration of intermediaries.

11. Compliance with the provisions of these regulations shall be one of the factors to be taken into consideration by the Board for the purpose of determining eligibility criteria for grant or renewal of certificate of registration to an intermediary under the relevant regulations.

IndiaCode

M. DAMODARAN

CHAIRMAN

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADVT- III/IV/69 ZB/2007/Exty.]

****