



CIRCULAR

F. No. 68/IFSCA/MRD-AP/2020-21

October 14, 2020

To,

All Stock Exchanges in the International Financial Services Centre (IFSC)

Dear Sir/Madam,

Sub: Market Access through Authorized Persons

1. IFSCA has received representations from Stock Exchanges and market participants based in IFSC on permitting market access in IFSC through Authorized Persons based in jurisdictions overseas. Subsequent to discussions and deliberations, with a view to expand the depth and reach of the market for exchange traded securities in IFSC, it has been decided to permit stock brokers/ trading members (registered with either IFSCA or SEBI or both) of the stock exchanges to provide market access to investors through Authorized Persons based in foreign jurisdictions. The regulatory framework governing the market access through Authorized Persons is enclosed at Annexure-1.
2. The stock exchanges and stock brokers shall have the operational flexibility to prescribe requirements/guidelines, in addition to those stated in the said framework, as they deem fit, in the interest of investors and the market. However, no relaxations shall be granted by them in the framework specified by the Authority.
3. The Stock Exchanges shall make the necessary amendments to their by-laws, rules and regulations to implement the said framework.



4. This circular is issued in exercise of powers conferred by section 12 of the International Financial Services Centres Authority Act, 2019 to develop and regulate the financial products, financial services and financial institutions in the International Financial Services Centres.

5. A copy of this circular is available on the website of the International Financial Services Centres Authority at www.ifsc.gov.in

Yours faithfully,

Praveen Kamat
Deputy General Manager
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Encl: As above



Annexure-1

Regulatory Framework for Market Access to IFSC based Stock Exchanges through Authorized Persons

1. Who is an “Authorized Person”?

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 a stock exchange as an agent of the stock broker.

2. Appointment of Authorized Person

A stock broker may appoint one or more Authorized Person(s) after obtaining specific prior approval from the stock exchange concerned for each such person.

3. Procedure for Appointment

- a) The stock broker shall select a person in compliance with the criteria laid down by the Exchange and this framework for appointment as an Authorized Person and forward the application of the person to stock exchange for approval.
- b) On receipt of the aforesaid application, the stock exchange
 - i. shall accord approval on satisfying itself that the person is eligible for appointment as Authorized Person,
 - or
 - ii. shall refuse approval on satisfying itself that the person is not eligible for appointment as Authorized Person

4. 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 necessary certifications, prescribed by the stock exchanges, 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. The person shall have the necessary infrastructure like adequate office space, equipment and manpower to effectively discharge the activities on behalf of the stock broker.

5. Conditions of Appointment

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

- a) The stock broker 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
- 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
- d) The Authorized Person shall receive his remuneration - fees, charges, commission, salary, etc. - for his services only from the stock broker 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 on the same stock exchange
- f) A partner or director of an Authorized Person shall not be appointed as an Authorized Person on the same stock exchange
- g) The stock broker and Authorized Person shall enter into written agreement(s) in the form(s) specified by the stock exchange. The agreement shall inter-alia cover the scope of the activities, responsibilities, confidentiality of information, commission sharing, termination clause, etc.

6. Withdrawal of Approval

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

- a) on receipt of a request to that effect from the concerned stock broker or the Authorized Person, subject to compliance with the requirements prescribed by the stock exchange,
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 at clause 4

7. Obligations of a Stock Broker

- a) The stock broker 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 to an Authorized Person, the place where such trading terminal is located shall be treated as the branch office of the stock broker
- c) The stock broker 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 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 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 only. The funds and securities of the clients shall be settled directly between the stock broker and the client and all documents like contract notes, statement of funds and securities shall be issued to the client by the stock broker. 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

8. Obligations of the Stock Exchange

- a) The stock exchanges shall maintain a database of all the Authorized Persons which shall include the following:
- i. Tax Id of home jurisdiction of individual Authorized Person and in case of a partnership, LLP or body corporate, the Tax id of the home jurisdiction of all the partners or directors and Legal Entity Identifier (LEI) number of the entity as the case may be
 - ii. Details of the stock broker with whom the Authorized Person is registered
 - iii. Locations of branch assigned to the Authorized Person(s)
 - iv. Number of terminals and their details, given to each Authorized Person.
 - v. Withdrawal of approval of the Authorized Person
 - vi. Change in status or constitution of the Authorized Person
 - vii. Disciplinary action taken by the Exchange against the Authorized Person

The data pertaining to points 8(a)(ii) to 8(a)(vii) above shall be made available on websites of the stock exchanges.



- b) While conducting the inspection of the stock broker, the stock exchange shall also conduct inspection of branches (where the terminals of the Authorized Persons are located) and records of the operations carried out by them

- c) The dispute between a client and an Authorized Person shall be treated as a dispute between the client and the stock broker. The stock exchanges shall put in place the appropriate dispute resolution/ redressal mechanisms accordingly

- d) In case of withdrawal of approval of Authorized Person due to disciplinary action, the stock exchange shall disseminate the names of such Authorized Persons on its website citing the reason for cancellation
