



**CIRCULAR**

**SEBI/HO/MIRSD/DoP/CIR/P/2018/117**

**August 03, 2018**

**To,**

- 1. All Recognized Stock Exchanges**
- 2. Stock Brokers through Recognized Stock Exchanges**
- 3. Sub-Brokers through Recognized Stock Exchanges**

**Dear Sir/Madam,**

**Sub: Role of Sub-Broker (SB) vis-a-vis Authorized Person (AP)**

1. Under the current regulatory framework, Sub-Brokers ('SB') need to seek registration from SEBI under SEBI (Stock Broker and Sub-Broker) Regulations, 1992, and Authorized Persons ('AP') need to seek registration from the concerned Exchange. There is no difference in the operative role of a Sub-Broker and that of an Authorized Person.
2. SEBI Board in its meeting held on June 21, 2018 decided to discontinue with Sub-Broker as an intermediary to be registered with SEBI.
3. In view of the same, the need for the category of Sub-Broker as a market intermediary may no longer be required. Therefore, it is decided that-
  - a) No fresh registration shall be granted to any person as Sub-Broker. Any pending applications for registration as Sub-Brokers under process, shall be returned to the concerned Stock Exchanges for onward transmission to the applicant.
  - b) The registered Sub-Brokers shall have time till March 31, 2019 in order to migrate to act as an AP and / or Trading Member (TM). The Sub-Brokers, who do not choose to migrate into AP and /or TM, shall deemed to have surrendered their registration with SEBI as Sub-Broker, w.e.f. March 31, 2019.
  - c) Consequent upon migration / deemed surrender, the certificate of registration granted to the Sub-Brokers by SEBI shall stand withdrawn.
  - d) The migration path for existing registered Sub-Brokers, shall be as under:



- i. In case of a registered Sub-Broker who is already approved to act as AP in Derivatives Segment of the Exchanges, he shall be registered with the Exchange to continue activities of Sub-Broker as an AP in Cash Segment.
  - ii. In case of a registered Sub-Broker who is not approved by Stock Exchanges to act as AP in Derivatives Segment, Exchanges shall register them as AP in Cash Segment, to continue their operations without disruption.
  - iii. The existing Sub-Broker has an option to become a Trading Member, if the Sub-Broker meets the eligibility criteria prescribed under Stock Exchange Bye-laws and SEBI Regulations and by complying with these Regulations.
- e) All the existing Sub-Brokers shall be required to pay renewal fees to SEBI up to financial year 2018-19; and renewal fees paid by Sub-Broker for the financial years beyond 2018-19 shall be refunded on receipt of recommendation from respective Stock Exchange.
- f) The Stock Exchanges shall put in place appropriate process for surrender or migration of Sub-Broker to AP / TM.
4. The Stock Exchanges are directed to:
- a) bring the provisions of this circular to the notice of the Stock Brokers and Sub-Brokers, and also disseminate the same on their websites;
  - b) make amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision in co-ordination with one another, as considered necessary;
  - c) monitor the compliance of this circular;
  - d) communicate to SEBI, the status of the implementation of the provisions of this circular.
5. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interest of investors in securities and to promote the development of and to regulate the securities market.

Yours faithfully,

**D Rajesh Kumar**  
**General Manager**