METROPOLITAN
STOCK EXCHANGE

PRESS RELEASE

Mumbai, 7 August 2026

Consultation Paper on Regulatory Framework for Authorised Persons

Background

SEBI circular reference no. MIRSD/DR-1/Cir-16/09 dated November 06, 2009 has provided Regulatory Framework for Market Access through Authorised Persons (AP). The framework broadly covers provisions regarding appointment of Authorised person, procedure, eligibility criteria, conditions for appointment, withdrawal of AP and obligations on stock exchange/broker. In order to strengthen supervision of Authorised Persons, Exchanges jointly in consultation with SEBI propose changes in Regulatory Framework for Authorised Persons. The Proposed Regulatory Framework for Authorised Persons is attached as Annexure I.

Market Comments

In this regard, all stakeholders are requested to provide their comments on the proposed Regulatory Framework for Authorised Persons. The comments/suggestions can be submitted latest by August 27, 2026. The Link to provide the comments/suggestions shall be available on following path of MSE website. https://mseindia.com/media/press-release

Link for proving comments - https://forms.gle/UCoJmDq6v3vvY18h9

Kindly specify the page number, column and paragraph from the consultation paper while submitting comments along with rationale.

If you choose to disagree with any of the proposal, kindly provide your comments and rationale for your disagreement. Please note that the disagreement without any comments/ rationale may not be considered.

About MSE: Metropolitan Stock Exchange of India Limited (MSE) is the youngest Exchange of the Country. MSE holds recognition and license from SEBI to operate as a Stock Exchange in Equity, Equity Derivatives, Currency Derivatives and Debt Segment. The Exchange has embarked on an audacious goal for creating innovative customized products across asset classes and leveraging a distribution strategy in the country by partnering with ecosystem players to increase participation from various echelons of the society.

Media contact: For any media queries please contact: Ms. Bhakti Rege – communications@mse.co.in

ANNEXURE I

Consultation Paper on Regulatory Framework for Authorised Persons

Issued on August 7, 2026

Comments invited by August 27, 2026

Link to submit comments -https://forms.gle/UCoJmDq6v3vvY18h9

This Consultation Paper is issued for the purpose of seeking public comments. The proposals set out herein are tentative and do not represent the final regulatory position. The contents of this paper are intended to facilitate public consultation and are subject to change based on the feedback received and further deliberations.

1. Background

SEBI circular reference no. MIRSD/DR-1/Cir-16/09 dated November 06, 2009 has provided Regulatory Framework for Market Access through Authorised Persons(AP). The framework broadly covers provisions regarding appointment of Authorised person, procedure, eligibility criteria, conditions for appointment, withdrawal of AP and obligations on stock exchange/broker. In order to strengthen supervision of Authorised Persons, Exchanges jointly in consultation with SEBI propose following changes in Regulatory Framework for Authorised Persons.

2. Proposals

2.1 Eligibility criteria

2.1.1 Any individual, partnership firm, LLP or body corporate – who is appointed by a stock broker as an agent of the stock broker, involved in client servicing is/are required to register as an Authorised Person (AP).

2.1.2 A stock broker may appoint one or more AP(s) after obtaining specific prior approval from the stock exchange concerned for each such person. The approval as well as the appointment shall be for specific or multiple segment/s of the exchange.

2.1.3 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.

2.1.4 On receipt of the aforesaid application, the stock exchange may accord/refuse approval on satisfying itself that the person is eligible/ineligible for appointment as AP .

2.1.5 An individual is eligible to be appointed as authorised person if he:

a) is a citizen of India;

b) is not less than 21 years of age;

c) Fulfils Fit and proper Criteria as specified in SEBI (Intermediaries) Regulations, 2008.

d) Has passed at least 12th standard or equivalent examination from an institution recognized by the Government with at least 2 years of work experience with stock broker/securities market.

e) Has obtained and maintains a valid NISM Series VII (Securities Operations and Risk Management) within 6 months from either:

   i. The date of registration, or

   ii. The date of issuance of these guidelines — whichever is later and

f) Has obtained a NISM Certification for the business segments for which the AP is to be registered, within 6 months from either:

   i. The date of registration, or

   ii. The date of issuance of these guidelines — whichever is later and

g) Has obtained and maintains a valid NISM Series-XXIV certification (AML and CFT Provisions in Securities Markets Certification), if terminal is allocated to AP, within 6 months from either:

   i. The date of allocation of terminal, or

   ii. The date of issuance of these guidelines — whichever is later.

h) Certifications are duly renewed and are valid at all times till such person is registered as AP.

2.1.6 A partnership firm, LLP or a body corporate is eligible to be appointed as AP

a) At least one managing partner/director to be designated as “designated partner/director” by the AP shall fulfil the aforesaid criteria applicable to individuals.

b) If it has at least one designated director/partner, who stays in India for a total period of not less than one hundred and eighty-two days during the financial year.

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.

2.1.7 The net worth of the AP shall be at least ₹ 5 Lakhs in the case of individual APs and ₹ 25 Lakhs in the case of non-individual Aps, including body corporates, partnership firms and LLPs. The net worth should be calculated based on the LC Gupta formula.

2.1.8 A minimum deposit of ₹ 1 Lakh is to be maintained by the AP with the Stockbroker (Cash or Cash equivalent). Further, if required, the Stockbroker may formulate and implement a policy approved by its Board, inter alia, prescribing the deposit to be maintained by the AP considering parameters like clients serviced, trading turnover, business mix and the locations serviced by the AP. Compliance with such policy should also be reviewed as part of the bi-yearly internal audit.

2.2 **<u>Responsibilities of APs:</u>**

2.2.1 An AP registered with a broker for a specific segment on an exchange:

- Shall not register as an AP with another broker for the same segment on the same exchange.
- Shall not be a client of another broker for the same segment on the same exchange.
- Any Director/Partner of an AP shall not be appointed as an AP on the same exchange.
- Shall not be allowed to have an AP registration in the name of their family (spouse/children/parents) or Partnership/Body Corporate where the AP is directly involved (AP is not a designated director/partner).
- Shall not act as a dealer with any other stock broker or authorised person on the same Stock Exchange.

2.2.2 A director, partner, or proprietor of an AP shall not be associated with any other trading member registered with the same exchange.

2.2.3 APs shall give authorization to brokers to access their bank and demat statements. AP shall disclose all bank and demat accounts to member at the time of onboarding along with last six months bank and demat accounts statements.

2.2.4 At the time of onboarding, AP shall disclose details of website, if any, and all social media handles of AP, spouse, designated director/partner, person in charge of AP business which are used for client acquisition / capital markets related posts / messages. Personal social media handles need not be disclosed. Member shall conduct social media screening of AP and its promoters/directors/partners through web crawler or web search or otherwise and shall maintain proof.

2.2.5 AP shall not receive or pay any money or securities in its own name or account.

2.2.6 AP shall receive his remuneration for his services only from the stock broker and he shall not charge any amount from the clients in the capacity of AP.

2.2.7 The stock broker and AP shall enter into written agreement(s) in the form(s) specified by Exchange. The agreement shall inter-alia cover scope of the activities, activities prohibited from being undertaken, respective roles and responsibilities, confidentiality of information, commission sharing, termination clause, etc.

2.2.8 The AP shall not be involved in any illegal/dabba/paper trading.

2.2.9 APs must comply with the Code of Conduct, prescribed by Exchanges, at all times.

2.2.10 AP shall mandatorily comply with PMLA guidelines.

2.2.11 AP shall not seek any authorisation to trade on behalf of its clients.

2.2.12 APs in their offices shall display name and contact details of stock broker, details of bank accounts of stock broker, Do's and Don'ts for the clients dealing with APs, activities allowed/prohibited to be carried out by AP. The AP shall also prominently display the escalation matrix of stock broker.

2.2.13 For APs having specific website, such details must also be displayed prominently on the home page.
Note: Exchanges will specify the Do's and Don'ts, activities allowed/prohibited to be carried out by AP as well as the form containing the above information, to be displayed by AP.

2.2.14 AP shall intimate immediately about any change in social media handles, bank details and DP details to trading members. Also, AP shall submit networth certificate, declaration of Bank details, DP details and social media handles to Trading Member along with bank statements and DP statements on yearly basis.

2.3 **Additional responsibilities for APs with terminal access**

2.3.1 Where terminals are assigned to APs, appropriate technological controls such as geo-tagging must be implemented to monitor and restrict misuse of terminal access. The location where terminal is accessed shall be under CCTV for close monitoring.

2.3.2 AP shall implement face recognition or biometric authentication technology for accessing terminals at their terminal location.

2.3.3 The place where trading terminal is located shall be treated as branch office of the stock broker including liabilities arising there from.

2.3.4 APs shall maintain pre order placement evidences (including CCTV) with proper time stamp for clients placing orders by visiting AP location physically. Further, the evidence of the client placing orders shall be stored centrally so as to make it easily available and accessible to the broker/Exchange /SEBI at short notice and such evidences shall be in tamper proof mode and properly tagged to reflect relevant details such as client name, date, time, terminal etc.

2.3.5 Personal information of clients shall not be compromised at any point by AP. Data Security of client data shall be paramount for AP. AP shall comply with applicable laws pertains to data security/protection/privacy.

2.4 **Roles and responsibilities of Stock Broker**

2.4.1 The stock broker shall be responsible for all acts of omission and commission of its APs and/or their employees and shall be liable for all consequences, obligations, and liabilities arising therefrom.

2.4.2 Stock Broker shall provide AP 's contact details such as office address, email address, mobile number, landline number and details (including PAN) of Directors, Partners, Promoter, Designated director/partner and Associates of AP to stock exchanges at the time of seeking approval for appointment of AP.

Associates will be defined as – (a) in case of individual – spouse, children and parents, HUF where individual is Karta and Proprietary firm of the said individual. (b) in case of Corporate/Partnership/LLP – Associate as defined in SEBI (Intermediaries) Regulations, 2008.

2.4.3 The stock broker shall ensure that all APs in their offices shall display name and contact details of stock broker, details of bank accounts of stock broker, Do's and Don'ts for the clients dealing with APs, activities allowed/prohibited to be carried out by AP. The AP shall also prominently display the escalation matrix of Stock Broker.

For APs having specific website, such details must also be displayed prominently on the home page.

Note: Exchanges will specify the Do's and Don'ts, activities allowed/prohibited to be carried out by AP as well as the form containing the above information, to be displayed by AP.

2.4.4 Stock Brokers must conduct inspections at regular intervals with minimum checks as mandated by the exchanges, and maintain proper inspection records.

2.4.5 Stock Brokers shall conduct unannounced/ surprise/ mystery audits, including third-party or external inspections, as part of oversight mechanisms. Reports of such inspections/ audits should be retained for a specified period and to be made available for verification by Exchanges as and when required.

2.4.6 Stock Brokers must generate offsite alerts and shall take suitable action post verification of the same.

Indicative parameters for alert generation are provided below :

- Sharp, unexplained changes in client trading volume or brokerage not aligned with market trends.
- APs with large clientele base whereby the emphasis should be on trading activities to identify any anomalies or unauthorised transactions
- Recurring client complaints.
- APs showing nil or negligible business activity
- Social media monitoring and digital footprint reviews.
- Monitoring of direct payout and direct credit controls.
- Monitoring of terminal usage analytics and inactive terminal reviews.
- Geo-tagging and device-based monitoring.
- Face authentication controls.
- Voice recording and call monitoring reviews
- Sample client feedback and confirmation calls.
- Review of advertisements and promotional activities.
- Review of periodic declarations submitted by APs.
- Monitoring of regulatory certifications and training requirements.
- Disclosure requirements

2.4.7 Stock Broker shall have a policy for generation of offsite alerts. Stock Brokers can add any other parameter including above mentioned parameters in its policy for alerts generation. Alerts shall be generated and monitored on monthly basis. Brokers must ensure adequate infrastructure, systems, and personnel are in place to enable effective supervision before onboarding any AP.

2.4.8 Brokers must organize annual training sessions for APs, focusing on compliance, operations, and conduct. Training must include mandatory PMLA (Prevention of Money Laundering Act) content. Stock Brokers shall maintain proper records of training conducted for APs.

2.4.9 Operation of terminals allocated to multiple/different APs from the same location for the same product/ segment shall not be permitted. However, in exceptional circumstances, if the brokers wants to permit multiple APs to operate from the same premises, broker must explain the reasons for doing so to the relevant exchange. The reasons shall be properly documented and the broker shall ensure operational viability before onboarding or continuing such arrangements.

2.4.10 Stockbrokers shall check any previous cancellations / terminations of the AP before they submit an application for registration with the Exchange.

2.4.11 Stock Brokers must verify whether an AP registered with another broker or segment is also their client in the same exchange/segment and, if so, take steps to deactivate/ close the trading account.

2.4.12 The stock broker shall take a periodic undertaking from APs regarding compliance with Code of conduct.

2.4.13 Stock Broker shall provide welcome kit to APs containing detailed rules, role of AP, Code of Conduct etc.

2.4.14 Stock Broker shall ensure that AP is complying with PMLA guidelines.

2.4.15 Stock Broker shall provide welcome kit to all AP sourced clients, containing Dos & DONTs, MITC, role of APs, bank account details of stock brokers, activities allowed/prohibited to be carried out by AP etc.

2.4.16 Stock Broker shall send quarterly communication to APs on regulatory expectations, compliance requirements, and investor protection guidelines.

2.4.17 Stock Broker shall make a call (recorded) to all new AP sourced clients after on-boarding and explain about AP's role, activities allowed/prohibited to be carried out by AP and to verify factual correctness i.e., Mobile / Email address and also educate clients not to fall prey to promises of assured returns. Stock Broker shall also connect with the clients of APs (especially in remote areas) on regular basis to educate as well as to find out malpractices (if any) by APs.

2.4.18 Disclosure of Risks involved in trading in various products and in particular complex products, shall be mentioned to the AP sourced clients upfront at the time of registering for the product. Also, a periodical communication may also be sent to the investors. Such disclosures shall also be prominently displayed at the business locations of the AP, particularly in the local language.

2.4.19 The client shall be registered with stock broker only. The funds and securities of the clients shall be settled directly between stock broker and client and all documents like contract note, statement of funds and securities would be issued to client by stock broker. AP may provide administrative assistance in procurement of documents and settlement, but shall not issue any document to client in its own name. No fund/securities of clients shall go to account of AP.

2.4.20 All branches of AP should have all the compliance requirement applicable to the Branch Office of the broker including mandatory call recording facility at AP offices. Further, monitoring of the call logs of APs is to be carried out periodically by a Stock Broker on sample basis.

2.4.21 Stock Brokers shall ensure that the physical location of each AP proposed to be registered is verified in person by the stockbroker.

2.4.22 Stock Broker should ensure that the APs are maintaining pre-order placement evidences (including CCTV) with proper time stamp for clients placing orders by visiting AP location physically. Further, the evidence of the client placing orders {including those placed through APs shall be stored centrally so as to make it easily available and accessible to the Exchange /SEBI at short notice and such evidences shall be in tamper proof mode and properly tagged to reflect the client name, AP name (if placed through AP), date, time, terminal etc.

2.4.23 In order to ensure that client information is not compromised at any point, Data Security for client data retained at the AP shall have to be closely monitored by the Member and the integrity of the data shall be ensured.

2.4.24 Stock Broker shall ensure to put in place a social media policy governing its APs to identify APs offering unauthorized services.

2.4.25 Stock Brokers must publish on their website a list of all APs, including those deregistered or cancelled and number of complaints pending/resolved by the APs along with aging details.

2.4.26 Stock Broker shall intimate the existing clients with contact information of new branch/alternative in case of cancellation/deregistration of AP at least thirty days before the change.

2.4.27 In case of cancellation/deregistration of AP, stock broker shall ensure continuity of services to the existing clients either directly or through another AP as per client's convenience. Stock broker shall also ensure that the existing clients are intimated regarding cancellation/deregistration of such AP promptly.

2.4.28 Stock Broker shall obtain demat and bank statement of APs/ their family members directly from Depositories/Banks based on authorization provided by AP and should monitor the same.

2.4.29 If an AP is cancelled on disciplinary grounds, stock brokers must review the status of all associated persons, seek appropriate clarification and take appropriate action, if any.

2.4.30 APs shall be mandated to use official email id (with broker's domain name) in all their dealings with clients.

2.4.31 Upon receiving any exchange communication regarding misconduct by an AP, brokers must act immediately to investigate and take appropriate measures.

2.4.32 Where terminals are assigned to APs, brokers must implement appropriate technological controls to monitor and restrict terminal access based on location and shall implement measures such as such as geo-tagging, face recognition or biometric authentication and MAC binding/IP based monitoring, etc. for accessing of AP terminals.

2.4.33 If any trading terminal is provided by the stock broker to AP, the place where such trading terminal is located shall be treated as branch office of the stock broker including liabilities arising there from.

2.4.34 In case of low or nil business activities by the sourced clients of AP, the stock broker shall monitor the activities of APs. A policy may be formulated to phase out the APs who have nil business or no clients for a considerable period.

2.4.35 On noticing irregularities, if any, in the operations of AP, stock broker shall seek withdrawal of approval, issue press release**,** withhold all moneys due to AP till resolution of investor concerns, alert investors in the location where AP operates, and take all measures required to protect the interest of investors and market.

2.4.36 For Individual/entity referring prospective clients to a broker, who do not engage in client servicing and are paid one time referral fees for introducing clients to the stock broker, no registration as AP shall be required. However, in such cases, the broker shall ensure that :

a) Such persons do not engage in offering investment advice, pitching specific stocks, managing portfolios, or promising returns.

b) Such persons must explicitly disclose to the prospect clients that they are receiving a commission or referral fee (one-time fee) for the introduction, ensuring total transparency regarding conflicts of interest.

c) Such persons do not collect client funds, hold client securities, or issue bills in their own name

2.5 <u>Conditions for withdrawal of registration of an AP</u>

2.5.1 An AP and the stock broker may mutually agree to withdraw their association after giving notice to other party as per terms specified in agreement executed between stock broker and AP.

2.5.2 Approval given to AP may be withdrawn by the stock exchange:

a) on receipt of a request to that effect from the stock broker concerned subject to compliance with the requirements prescribed by the stock exchange, or

b) on being satisfied that the continuation of AP is detrimental to the interest of investors or securities market or AP at a subsequent date becomes ineligible as per specified Eligibility Criteria.

2.5.3 If an AP wishes to deregister and does not receive cooperation from the broker who is inactive/disabled, then AP may directly approach the exchange.

Note: Exchanges shall establish a standard process for allowing deregistration of such APs

2.5.4 If a broker's membership of a specific segment or exchange is terminated (including through expulsion), all APs registered under that segment/exchange for the broker shall be automatically deregistered.

2.5.5 In case approval of authorised person is withdrawn due to disciplinary action on any of the Exchange then such authorised person including directors, partners, promoters of such authorised person shall be restricted from getting approval as authorised person on any of the Exchange.

2.5.6 The stock exchange shall disseminate the names of such authorised persons, directors, partners and promoters of such authorised persons on its website citing the reason for cancellation.

3. Market Consultation

3.1 Public comments are invited on the proposed **Regulatory Framework for Authorised Persons**. The comments/ suggestions (up to 2000 characters) shall be submitted latest by August 27, 2026, through the following link which shall be available on below mentioned path from August 8, 2026.

3.2 Kindly specify the page number, column and paragraph from the consultation paper while submitting comments.

Link : https://forms.gle/UCoJmDq6v3vvY18h9

3.3 If you choose to disagree with any of the proposal, kindly provide your comments and rationale for your disagreement. Please note that the disagreement without any comments/ rationale may not be considered.

****