

CONSULTATION PAPER ON PROPOSED REGULATION OF RESEARCH ANALYSTS

FOR PUBLIC COMMENTS

1. BACK GROUND

- 1.1 Principle no. 23 of the New IOSCO Objectives and Principles of Securities Regulation states that the entities that offer investors analytical or evaluative services should be subject to oversight and regulation appropriate to the impact their activities have on the market or the degree to which the regulatory system relies on them.
- 1.2 SEBI Board in its 138th Board Meeting held on July 28, 2011 had approved a proposal that SEBI may consider the IOSCO principles on analytical services and may consider regulating research analysts in Indian securities market through an exclusive and comprehensive regulation."
- 1.3 In response to the increasing worldwide awareness of the analyst conflicts of interest issue, SEBI has been actively monitoring local and international developments, and studying proposals most suitable for India.
- 1.4 In designing the appropriate regulatory model to address the issue in India, the International Advisory Board (IAB) of SEBI, in its meeting held on November 3-4, 2012 discussed the issue of regulation of research analysts. A view emerged that the analysts providing services for a fee may be considered for regulation under Investment Advisor Regulations. As far as other analysts are concerned, it was suggested that, to begin with, a separate code or set of guidelines may be considered.
- 1.5 Having taken into account the opinions of IAB and the regulatory developments globally, we are prima facie of the view that clearer and more specific regulations for research analysts are necessary to address the potential and actual conflicts that may exist in the Indian Securities market.

2. INTRODUCTION

- 2.1 Timely and accurate information about investment products is an important ingredient for making investment decisions. However, considering the volume and complexity of information it would be difficult for an investor for analyzing and grasping the information. In this context the Research Analysts play an important role. They study Companies and industries, analyze raw data, and make forecasts or recommendations about whether to buy, hold or sell securities. They analyze information to provide recommendations about investments in securities to their clients. Investors often view analysts as

experts and important sources of information about the securities they review and often rely on their advice.

- 2.2 However such advice from investment analysts is many times prone to conflicts of interest that may prevent them from offering independent and unbiased opinions. Since the prime objective is to protect investors and enhance confidence in the market, it is a major concern of regulatory authorities to identify and deal with conflicts of interest arising from the production and dissemination of research reports.
- 2.3 These conflicts may hamper the neutrality of a research report, which affects the investment decision of investors. If some entity produces biased research report to inflate the price artificially, the market at large gets affected. Secondly, the quality of the analysis also depends on market or industry experience of the research analyst. Hence, it may be preferable to have appropriate regulations for research analysts that will not only ensure the neutrality of the research reports, but also improve the quality of the report.
- 2.4 IOSCO in its report published in September 2003 on 'Analyst Conflicts of Interest', has pointed out three broad types of analysts, viz. sell-side analysts, buy-side analysts and independent analysts.
 - 2.4.1 **Sell-side Analysts-** They typically publish research reports on the securities of companies or industries that they cover. These Research reports carry specific recommendations, such as recommendation to buy, hold, or sell the subject security. It also includes the analyst's expectation of the future price performance of the security ("price target"). These analysts face maximum conflicts of interest since they often perform functions other than producing research like working for firms that provide investment banking services for corporate clients, including clients whose securities the analysts cover.
 - 2.4.2 **Buy-side Analysts-**They generally work for money managers like mutual funds, hedge funds, pension funds, or portfolio managers that purchase and sell securities for their own investment accounts or on behalf of others. Research reports of these analysts are generally circulated among the top management of the employer firms as these reports contain advice about which securities to buy, hold or sell. Thus, analyses by these RAs are prone to be aligned with those of the money managers they work for and those of their clients, which may affect the neutrality of their reports.
 - 2.4.3 **Independent Analysts-** They work for research originators or boutique firms that are legal entities separate from full-service investment firms and sell their research to others on a subscription or other basis. These types of analysts may also at times have an incentive to produce biased analysis for the

covered company which may be paying a hefty fee for subscription of Research Report.

- 2.5 Apart from these three main categories, entities such as newspapers and consolidators of information also provide research reports.

3. REGULATORY FRAMEWORK FOR RESEARCH ANALYSTS GLOBALLY.

- 3.1 The effort to address potential conflicts of interest affecting the production and dissemination of research by securities firms is truly a global one, with regulators in almost all developed market economies having proposed or implemented new rules for research related conflicts of interest. Research analysts are regulated in a large number of countries to minimise conflict issues through a combination of government securities agencies and/or self-regulatory organizations. Generally, government agencies have broad regulatory authority over market participants, which are often supplemented by oversight by SROs. Government regulators usually oversee SRO rule making and enforcement. SROs impose rules on their members and penalties (including expulsion) for non-compliance.
- 3.2 IOSCO report on addressing conflicts of interest in September 2003 has prescribed principles as under:
 - 3.2.1 Mechanisms should exist so that analysts' trading activities or financial interests do not prejudice their research and recommendations.
 - 3.2.2 Mechanisms should exist so that analysts' research and recommendations are not prejudiced by the trading activities or financial interests or business relationships of the firms that employ them.
 - 3.2.3 Reporting lines for analysts and their compensation arrangements should be structured to eliminate or severely limit actual and potential conflicts of interest.
 - 3.2.4 Firms that employ analysts should establish written internal procedures or controls to identify and eliminate, manage or disclose actual and potential conflicts of interest on the part of analysts.
 - 3.2.5 The undue influence of issuers, institutional investors and other outside parties upon analysts should be eliminated or managed.
 - 3.2.6 Disclosures of actual and potential conflicts of interest should be complete, timely, clear, concise, specific and prominent.
 - 3.2.7 Analysts should be held to high integrity standards.
 - 3.2.8 Investor education should play an important role in managing analyst conflicts of interest.
- 3.3 We have also seen regulatory developments in other major markets. In the United States of America (USA), the National Association of Securities Dealers, Inc. ("NASD") and the New York Stock Exchange ("NYSE") issued

rules for Research Analysts and Research Reports. The Financial Industry Regulatory Authority, Inc. ("FINRA"), the independent regulator for all securities firms doing business in the United States register and regulate research analysts as prescribed under NASD Rule 2711 and NYSE Rule 472.

3.4 Regulations for research analysts and research related conflicts of interest in USA have addressed the following objectives:

3.4.1 Ensure that retail investors understand the various conflicts that may affect the objectivity of research analysts' views through enhanced disclosure requirements.

3.4.2 Substantially reduce the opportunities for conflicts through prescriptive measures by (i) strengthening existing "Chinese walls" between research and business units in integrated financial services firms; (ii) regulating analysts' ability to own and trade equities of the firms that they cover; and (iii) modifying the incentive structure in integrated financial services firms that may encourage the issuance of biased research.

3.5 Apart from USA, various other international jurisdictions, i.e. UK, Hong Kong, etc, have detailed policies and procedures to deal with conflicts of interest management, disclosure requirements, etc, for dealing with issues related to regulation of research analysts.

4. TYPES OF ENTITIES ENGAGED IN PUBLISHING RESEARCH REPORTS IN INDIA

4.1 Large brokerage firms and the merchant/investment-banks provide research in India. Brokerage houses carry out research on a particular company or a sector and make "buy" or "sell" recommendations to their clients. Most of the brokerage firms are active traders and have proprietary positions as well. Merchant/Investment banks provide research reports and also manage IPOs or takeover or buyback or delisting offers.

4.2 Independent research firms generally provide investment ideas or recommendations backed by fundamental and primary research to corporate houses, professional money managers and high net worth individuals. The nature of the reports may vary from firm to firm.

4.3 Credit Rating Agencies(CRAs) undertake customized credit research of a number of borrowers in a credit portfolio, for the use of the lender. CRAs use their understanding of companies' business and operations and their expertise in building frameworks for relative evaluation, which are then applied to arrive at performance grading.

- 4.4 Proxy Advisory Service Providers: Proxy voting advisory firms also prepare research reports. Mostly institutional investors take help from third-party proxy advisory firms to vote their proxies in shareholder meetings. These firms offer vote recommendations to institutional investors or to public on a proposed agenda item at an annual general meeting/extraordinary general meeting, as well as management and shareholder proposals and also on takeover, buyback or delisting offers, etc.
- 4.5 The fund managers of Alternative Investment Fund(AIF) and Mutual Funds also provide research reports to their unit holders.
- 4.6 Apart from the above, some research analysts make recommendation through public media during public appearance, such as television, and other print and electronic media, etc.

5. EXISTING PROVISIONS IN RELATION TO CONFLICT OF INTEREST IN INDIA:

- 5.1 While there is no specific regulation governing Research Analysts, there is a provision in SEBI (Prohibition of Insider Trading) Regulations, 1992, which says, *"Analysts, if any, employed with the organization /firm while preparing research reports of client company(s) shall disclose their shareholdings/interest in such company(s) to the Compliance Officer and the Analysts who prepare research report of listed company shall not trade in securities of that company for thirty days from preparation of such report."*
- 5.2 Additionally, as per the Code of Corporate Disclosure Practices for Prevention of Insider Trading, the following Disclosure / dissemination of Price Sensitive Information with special reference to Analysts, Institutional Investors is required to be made by listed companies while dealing with analysts and institutional investors with respect to the following issues:-
 - 5.2.1 Only Public information to be provided: Listed companies shall provide only public information to the analyst/ research persons/ large investors like institutions. Alternatively, the information given to the analyst should be simultaneously made public at the earliest.
 - 5.2.2 Recording of discussion: In order to avoid misquoting or misrepresentation, it is desirable that at least two company representatives are present at meetings with Analysts, brokers or Institutional Investors and discussion should preferably be recorded.
 - 5.2.3 Handling of unanticipated questions: A listed company should be careful when dealing with analysts' questions that raise issues outside the intended scope of discussion. Unanticipated questions may be taken on notice and a considered response given later. If the answer includes price

sensitive information, a public announcement should be made before responding.

- 5.2.4 Simultaneous release of Information: When a company organises meetings with analysts, the company shall make a press release or post relevant information on its website after every such meet. The company may also consider live webcasting of analysts meets.
- 5.3 SEBI has mandated listed companies to disclose details of agreements with media. SEBI amended equity listing agreement adding clause 53 and 54 to ensure that the listed entities disclose details of agreements like private treaties on their websites and also notify the stock exchange of the same for public dissemination. It has also been mandated that they maintain a functional website that contains certain basic information about them, duly updated for all statutory filings, including agreements entered into with media companies, if any.
- 5.4 SEBI has also vide circular dated November 18, 2013 issued guidelines on compliance with the provisions of Equity Listing Agreement by listed companies and Monitoring of the same by Stock Exchanges.
- 5.5 In addition to the above, there are codes of conduct for market participants to prevent misuse of inside information. The Model Code of Conduct for Prevention of Insider Trading has several clauses to ensure that inside information is not used in trading activities. To prevent the misuse of confidential information, the organisation/firm is required to adopt a "Chinese Wall" policy which separates those areas of the organisation/firm which routinely have access to confidential information, considered "inside areas" from those areas which deal with sale/ marketing/ investment advice or other departments providing support services, considered "public areas".
- 5.6 Though issues relating to conflict of interest in securities industry are being addressed through the SEBI prescribed code of conduct for intermediaries, regulations on insider trading and regulations on fraudulent and unfair trade practices, there is no guideline to identify and deal with conflict of interests by research analysts, who are not registered and regulated by SEBI at present. The absence of an exclusive and comprehensive regulation to deal with conflict of interests by research analysts pose regulatory gaps in the management and mitigation of possible conflicts of interest that may arise in their activities in securities market.
- 5.7 Disclosures or disclaimers by the research firms vary widely as presently there is no specific rule for the same. There is scope of conflict of interest between the covered company and the research firms. There is need to have mechanisms to ensure that business relationship of an intermediary or financial or trading interest of research analyst or intermediary or

compensation arrangement of research analyst, etc do not prejudice research report or their recommendations. Hence, a comprehensive regulatory framework may be required to address conflicts of interest and to minimize market malpractices so that at the end of the day, impartiality in research reports is largely ensured.

6. STRUCTURE OF THE PROPOSED REGULATIONS:

- 6.1 A regulatory framework is required to ensure impartial report, to address conflict of interest, to improve governance standards, to minimize market malpractices etc. Accordingly a draft SEBI (Research Analyst) Regulation 2013 is being proposed which is attached with this concept paper. These draft regulations set forth requirements to foster objectivity and transparency in security research and provide investors with more reliable and useful information to make investment decisions.
- 6.2 The draft regulations intends to register and regulate:
 - i. independent research analysts,
 - ii. intermediaries that employ research analysts and issues research reports
 - iii. research analysts giving recommendations in the public media such as television channels, newspapers, etc.
- 6.3 In case of any entity incorporated outside India willing to provide research services in respect of Indian Companies, they have to set up a subsidiary in India and make an application for registration through that subsidiary.
- 6.4 Investment Advisers, Asset Management Companies, Proxy Advisory Service providers and fund managers of Alternative Investment Funds providing research services to their unit holders shall not be required to be registered under these regulations. However, if they or their employees or directors make commentaries or recommendations through the public media are required to comply with chapter III of the draft Regulations.
- 6.5 The draft Regulations are intended to regulate research analysts. This requires clear, comprehensive and prominent disclosure of conflicts of interest in research reports and public appearances by research analysts including limitations of dealings, restrictions on compensation, etc. The recommendations of IOSCO as contained in its report as referred in Para 3.2 and Principle no. 23 of IOSCO principles as referred in Para 1.1 has been suitably incorporated in the draft regulations.

7. WAY FORWARD

In the light of the above background, SEBI proposes to register and regulate research analysts on the lines of the proposed draft SEBI (Research Analyst) Regulations, 2013, enclosed with this consultation paper.

8. PUBLIC COMMENTS

Public comments are invited on the draft regulations. All comments from the Public will be considered before the proposals are finalized. The Purpose of this consultation paper is to seek views of market participants and other interested parties on the proposed regulatory framework that intends to regulate Research Analysts, intermediaries and independent entities who are engaged in preparation of Research Report and giving opinion and recommendations concerning a security.

The comments / suggestions on this paper may be emailed to Mr. T.Venkateshwarlu, Assistant General Manager (venkateshwarlut@sebi.gov.in) or may be sent to the following address, latest by December 21, 2013 in the following format:

Sr. No.	Name	Pertains to which regulation/sub-regulation	Proposed/suggested changes	Rationale

Your letter(s) can be addressed to:

Ms. Barnali Mukherjee
General Manager,
Investment Management Department - Division of Funds- 1,
Securities and Exchange Board of India,
SEBI Bhavan, Plot No. C4-A, "G" Block,
Bandra Kurla Complex, Bandra (East),
Mumbai 400 051 (India).

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SEBI (RESEARCH ANALYST) REGULATIONS, 2013

In exercise of powers conferred by section 30 of SEBI Act read with clause (b) of sub-section (2) of section 12, the Board hereby makes the following regulations, namely;

CHAPTER I

PRELIMINARY

Short title and commencement.

1. These regulations may be called the Securities and Exchange Board of India (Research Analyst) Regulations, 2013.
 - (1) These regulations 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, the terms defined herein shall bear the meanings assigned to them below, and their cognate expressions shall be construed accordingly,—
 - (a) “Act” means the Securities and Exchange Board of India Act, 1992 (15 of 1992);
 - (b) "asset management company" means a company as defined under clause(d) of Regulation 2 of SEBI(Mutual Funds) Regulations, 1996.
 - (c) "Board" means the Securities and Exchange Board of India established under section 3 of the Act;
 - (d) “body corporate” shall have the meaning assigned to it in or under sub-section (11) of section 2 of the Companies Act, 2013;
 - (e) “certificate” means a certificate of registration granted under these regulations;
 - (f) “change in control” in relation to a company or a body corporate, means:
 - (i) if its shares are listed on any recognized stock exchange, change in control within the meaning of clause (e) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(ii) in any other case, change in the controlling interest or change in legal form.

Explanation.— For the purpose of sub-clause (ii), the expression “controlling interest” means an interest, whether direct or indirect, to the extent of more than fifty percent of voting rights or interest;

- (g) “company” means a company incorporated under the Companies Act, 2013;
- (h) “fund manager” includes fund managers of a mutual fund or alternative investment fund.
- (i) “independent third-party research report” means a third-party research report, in respect of which the person producing the report:
 - (i) has no affiliation or business or contractual relationship with the distributing intermediary or that intermediary’s affiliates that is reasonably likely to inform the content of its research reports; and
 - (ii) makes content determinations without any input from the distributing intermediary or that intermediary’s affiliates.
- (j) “inspecting authority” means any one or more persons appointed by the Board to exercise powers conferred under regulation 26;
- (k) “intermediary” means a person as mentioned in clause (b) and (ba) of sub-section (2) of section 11 of the SEBI Act, 1992 who are also engaged in activity of research analyst or issues any research report or employs any research analyst.
- (l) “investment adviser” means any person registered under SEBI(Investment Advisers) Regulations, 2013.
- (m) “limited liability partnership” means a partnership formed and registered under The Limited Liability Partnership Act, 2008(6 of 2009);
- (n) “merchant/investment banking or brokerage services” includes a person, acting as an underwriter or participating in a selling or an offering for the issuer or otherwise acting in furtherance of a public offer of the issuer; acting as a financial adviser in a merger or acquisition; providing or arranging venture capital or equity or debt lines of credit or serving as placement agent for the issuer or otherwise acting in furtherance of a private offering of the issuer or offering brokerage or market making services.
- (o) “NBFC” means a Non-Banking Financial Company regulated by Reserve Bank of India;
- (p) “NISM” means the National Institute of Securities Market established by the Board;
- (q) “proxy advisory service provider” means any person who provides research for proxy rating or provides research on offers, opinion concerning a public offer or provides research or opinion to make informed decisions.

- (r) “public appearance” means any participation in a conference call, seminar, forum (including an interactive electronic forum) or other public speaking activity or before one or more representatives of the media, a radio, television or print media interview, or the writing of a print media article, in which a research analyst makes a recommendation or offers an opinion concerning a security.
Provided that it does not include a password protected Webcast, conference call or similar event with existing clients, if all of the event participants previously received the most current research report or other documentation that contains the required applicable disclosures, and that the research analyst appearing at the event corrects and updates during the public appearance any disclosures in the research report that are inaccurate, misleading or no longer applicable.
- (s) “public media” means any media source available to the general public and includes a radio, television or print media.
- (t) “public offer” includes initial public offer, offer for sale, disinvestment, takeover, buyback or delisting of securities.
- (u) “research analyst” means a person or his associate who prepares and/or publishes research report or the substance of research report or who makes a recommendation or offers an opinion concerning public offer or provides research report or opinion or recommendation concerning securities that are listed or to be listed and are traded or to be traded in a stock exchange and includes:-
- (i) an independent research analyst;
 - (ii) an intermediary that employs any research analyst; and
 - (iii) an intermediary that issues any research report.
- (v) “research report” means any written (including electronic) communication that includes result of investment analysis of securities or research or opinion concerning participation in a public offer and provides information having reasonably sufficient base for investment decision and does not include the following communications:-
- (i) general trends in the securities market;
 - (ii) discussions on the broad-based indices;
 - (iii) commentaries on economic, political or market conditions;
 - (iv) periodic reports or other communications prepared for unit holders of Mutual Fund or Alternative Investment Fund or clients of Portfolio Managers and Investment Advisers.
 - (v) internal communications that are not given to current or prospective clients; and

- (vi) communications that constitute offer documents or prospectus that are circulated under a specific regulation.
- (w) “research department” means any department or division, whether or not identified as such, that is principally responsible for preparing the substance of a research report.
- (x) "securities" means securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956.
- (y) “subject company” means the company whose securities are the subject of a research report or a public appearance.
- (z) "stock exchange" “ means a stock exchange which is recognised under section 4 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);
- (aa) “third-party research report” means a research report that is produced by a person or entity other than the intermediary.

(2)The words and expressions used and not defined in these regulations but defined in the Act, the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Companies Act, 2013, or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those Acts, rules or regulations made thereunder or any statutory modification or re-enactment thereto, as the case may be.

CHAPTER II

REGISTRATION OF RESEARCH ANALYSTS

3. Application for grant of certificate.

- (1) On and from the commencement of these regulations, no person shall act as an Research Analyst or hold itself out as a Research Analyst unless he has obtained a certificate of registration from the Board under these regulations:

Provided that the Investment Advisers, Asset Management Companies, Proxy Advisory Service providers and fund managers of Alternative Investment Funds shall not be required to be registered under these regulations.

Provided further that the Investment Advisers, Asset Management Companies, Proxy Advisory Service Providers and fund managers of Alternative Investment Funds or their employees or directors who make public appearance or appear in public media for giving opinion or recommendations on security or on public offers or whose research report is circulated or distributed to public or general investors shall comply with Chapter III of these Regulations.

- (2) An application for grant of certificate of registration shall be made in Form A as specified in the First Schedule to these regulations and shall be accompanied

by a non-refundable application fee to be paid in the manner specified in Second Schedule.

4. Furnishing of further information, clarification and personal representation.

- (1) The Board may require the applicant to furnish further information or clarification for the purpose of consideration of the application filed under sub-regulation (2) of regulation 3.
- (2) The applicant or his authorised representative, if so required, shall appear before the Board for personal representation.

5. Consideration of application and eligibility criteria.

For the purpose of the grant of certificate the Board shall take into account all matters which are relevant to the grant of certificate of registration and in particular the following, namely:-

- (i) whether the applicant is an individual or a body corporate or a firm;
- (ii) whether in case the applicant is an individual, he is appropriately qualified and certified as specified in regulation 6;
- (iii) whether in case the applicant is a body corporate, all the representatives of the applicant who provide research analysis are appropriately qualified and certified as specified in regulation 6;
- (iv) whether in case the applicant is a firm or a limited liability partnership, all partners who fall under definition of research analyst are qualified and certified as specified in regulation 6.
- (v) whether the applicant fulfills the capital adequacy requirements as specified in regulation 7;
- (vi) whether the applicant, its representatives and partners, if any, are fit and proper persons based on the criteria as specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008;
- (vii) whether the applicant has the necessary infrastructure to effectively discharge the activities of Research Analyst;
- (viii) whether the applicant or any person directly or indirectly connected with the applicant has in the past been refused certificate by the Board and if so, the grounds for such refusal;
- (ix) whether any disciplinary action has been taken by the Board or any other regulatory authority against any person directly or indirectly connected to the applicant under the respective Act, rules or regulations made thereunder;
- (x) In case an entity incorporated outside India providing research report or engaged in research activity under these regulations, whether, it has set up a subsidiary in India and whether such subsidiary has made the application for registration;

- (xi) In case a foreign citizen proposes to provide research report or engaged in research activity in respect of securities listed or proposed to be listed in India, whether the applicant has set up an office in India and proposes to provide research services through such office.

6. Qualification and certification requirement.

- (1) An individual registered as a research analyst under these regulations and partners and representatives of a intermediary registered under these regulations offering research analysis services in securities shall have the following minimum qualifications, at all times:
- (i) A professional qualification or post-graduate degree or post graduate diploma in finance, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science provided by:
 - (a) a University which is recognized by University Grants Commission or by any other Commission/Council/Board/Body established under an Act of Parliament in India for the purpose or
 - (b) an institute/association affiliated with such University; or
 - (c) an institute/ Association/University established by the Central government or State government in India; or
 - (d) autonomous institutes falling under administrative control of Government of India; or
 - (ii) professional qualification or post-graduate degree or post graduate diploma which is accredited by All Indian Council for Technical Education, National Assessment and Accreditation Council or National Board of Accreditation or any other Council/Board/Body set up under an Act of Parliament in India for the purpose; or
 - (iii) professional qualification/post-graduate degree/post graduate diploma provided by a university/ institution /association which is recognized/ accredited by a foreign government or recognized/ accredited by any corporate/ institute which has been created/recognized by such foreign government for the purpose; or
 - (iv) A graduate in any discipline with an experience of at least eight years in activities relating to financial products or securities or fund or asset or portfolio management.
- (2) An individual registered as a research analyst and partners and representatives of intermediary registered under these regulations shall have, at all times, a NISM Certification Examination for Research Analysts as specified by the Board or other certification recognized by the Board from time to time.

Provided that the existing Research Analysts seeking registration under these regulations shall ensure that their partners and representatives obtain such certification within two years from the date of commencement of these regulations:

Provided further that fresh certification must be obtained before expiry of the validity of the existing certification to ensure continuity in compliance with certification requirements.

7. Capital adequacy.

- (1) Research Analysts which are body corporates shall have a net worth of not less than fifty lakh rupees.

Explanation.— For the purposes of this regulation, "networth" means the aggregate value of paid up share capital plus free reserves (excluding reserves created out of revaluation) reduced by the aggregate value of accumulated losses.

- (2) Research Analysts who are individuals or partnership firms shall have net tangible assets of value not less than rupees five lakh:

Provided that existing Research Analyst shall comply with the capital adequacy requirement within one year from the date of commencement of these regulations.

8. Grant of certificate of registration.

The Board on being satisfied that the applicant complies with the requirements specified in regulation 6 and 7 shall send intimation to the applicant and on receipt of the payment of registration/renewal fees as specified in Second Schedule, grant certificate of registration in Form B under First Schedule, subject to such terms and conditions as the Board may deem fit and appropriate.

9. Period of validity of certificate.

The certificate of registration granted under regulation 8 shall be valid for a period of five years from the date of its issue.

10. Renewal of certificate.

- (1) Three months before the expiry of the period of validity of the certificate, the research analyst may, if he so desires, make an application in Form A for grant of renewal of certificate of registration.
- (2) The application for renewal under sub-regulation (1) shall be dealt with in the same manner as if it were an application made under sub-regulation (2) of regulation 3 for grant of certificate.

11. Procedure where registration is refused.

- (1) After considering an application made under regulation 3, if the Board is of the opinion that a certificate should not be granted to the applicant, it may reject the application after giving the applicant a reasonable opportunity of being heard.
- (2) The decision of the Board to reject the application shall be communicated to the applicant within thirty days of such decision.

- (3) Where an application for a certificate is rejected by the Board, the applicant shall forthwith cease to act as a research analyst.

Provided that nothing contained in this regulation shall affect the liability of the applicant towards its existing clients under law.

12. Conditions of certificate.

The certificate granted under regulation 8 shall, *inter alia*, be subject to the following conditions:-

- (i) the research analyst or intermediary shall abide by the provisions of the Act and these regulations;
- (ii) the research analyst or intermediary shall forthwith inform the Board in writing, if any information or particulars previously submitted to the Board are found to be false or misleading in any material particular or if there is any material change in the information already submitted;
- (iii) individuals registered as research analysts shall use the term 'research analyst' in all their correspondences with their clients.

13. Recognition of body or body corporate for regulation of Research Analysts.

- (1) The Board may recognize any body or body corporate for the purpose of regulating Research Analysts.
- (2) The Board may, at the time of recognition of such body or body corporate, delegate administration and supervision of research analysts to such body or body corporate on such terms and conditions as may be specified by the Board.
- (3) The Board may specify that no person shall act as research analyst unless he is a member of a recognized body or body corporate and in such event, provisions of these regulations and byelaws or articles of such body or body corporate shall apply *mutatis mutandis* to such research analyst.

CHAPTER III

CONFLICT AVOIDANCE AND DISCLOSURES

14. Establishing Policies and Procedures

- (1) Research Analyst or the intermediary shall establish, maintain written policies and control procedures governing the dealing and trading by any research analyst with a view to eliminating, avoiding, managing or disclosing actual or potential conflicts of interest arising from such dealings or trading.
- (2) The policies and procedures under sub regulation (1) shall be reasonably designed to promote objective and reliable research that reflects the truly held opinions of research analysts and to prevent the use of research reports or research analysts to manipulate or condition the market or favour the interests of the Research Analyst or intermediary or certain current or prospective clients.

- (3) Policies and procedures referred to in sub regulation (1) shall prohibit pre-publication of research reports by other than the persons engaged in preparation of research report.

15. Limitations on dealings by Research Analysts

- (1) Research Analyst or the intermediary shall not deal in or trade any securities that the research analyst recommends or follows within 30 days before and 5 days after the publication of a research report on the subject company or in a manner contrary to the recommendation.
- (2) Research Analyst or the intermediary shall not publish or recommend security of a subject company wherein the Research Analyst or the intermediary had dealt in or traded the concerned securities within previous 30 days.
- (3) Research Analyst or the intermediary shall not purchase or receive any securities before the issuer's initial public offering or further offering if the issuer is principally engaged in the same types of business as companies that the research analyst follows.

Provided that Research Analyst or the intermediary shall deal in or trade in such securities only in exceptional circumstances as specified in its policies and procedures.

16. Restrictions on Research Analyst Compensation

- (1) Research Analyst or the intermediary shall ensure that the compensation of the research analysts is neither determined nor based on any specific merchant/investment banking or brokerage transactions;
- (2) The compensation of a research analyst shall be reviewed, documented and approved annually by the board of directors, or if no board of directors, by a chief executive officer.
- (3) Research Analyst or the intermediary shall not subject to the supervision or control of any employee of the merchant/ investment banking department or brokerage house, and no personnel engaged in merchant/investment banking or brokerage activities may have any influence or control over the compensatory evaluation of a research analyst.
- (4) Research Analyst or the intermediary shall not receive pay bonus, salary or other form of compensation that is linked to any specific merchant/investment banking transaction.
- (5) Research Analyst or the intermediary shall not directly or indirectly offer favourable research to a company or in respect of a security or public offer as consideration or inducement for the receipt of business or compensation.

17. Limitations on Publication of Research Reports and Restrictions on Public Appearances by Research Analyst:-

- (1) Research Analyst or the intermediary shall not submit a research report to the subject company before its publication.

Provided that some sections of such a research report may be submitted to the subject company before its publication for review as necessary only to verify the factual accuracy of information in those sections.

- (2) Research Analyst or the intermediary shall notify one day prior whenever he intends to change the recommendation on the subject company's securities.
- (3) Research Analyst or the intermediary shall not issue research reports and shall not make public appearance regarding a subject company for which he acted as a merchant banker, underwriter, lead manager, dealer in a initial public offering for a period of 50 days from the date of completion of such offering or for 10 days for a secondary offering.
- (4) Research Analyst or the intermediary shall not directly or indirectly solicit merchant/investment banking business with prospective clients, or share any communications with the companies.
- (5) Research Analyst or the intermediary shall be prohibited from directly or indirectly participating in a road show related to merchant/investment banking services transaction.
- (6) Research Analyst or the intermediary shall not engage in any communication with a current or prospective client in the presence of merchant/investment banking personnel or company management about the merchant/investment banking services transaction.
- (7) Research Analyst or the intermediary shall not engage in sales or marketing of merchant/investment banking services transaction including engaging in any communication with a current or prospective clients about the same.

18. Content in Research Reports

- (1) Research Analyst or an intermediary shall ensure facts in its research reports are based on reliable information and shall define the terms used in making recommendations, and these terms should be consistently used.
- (2) Research Analyst or an intermediary that employs a rating system must clearly define in each research report the meaning of each rating in the system, including the time horizon and any benchmarks on which a rating is based.
- (3) If a research report contains either a rating or price target for a subject company's security, and the Research Analyst or intermediary has assigned a rating or price target to the security for at least one year, the research report must include the graph of security's daily closing prices for the period assigned or for a three-year period, whichever is shorter.

19. Disclosures in Research Reports

- (1) Research Analyst or an intermediary shall disclose in the research report the valuation methods used to determine the price target, if any, that has a reasonable basis and shall be accompanied by a disclosure concerning the risk that may impede achievement of the price target.
- (2) Research Analyst or an intermediary that makes market in a securities in respect of a subject company, the fact shall be disclosed.
- (3) Research Analyst or an intermediary shall disclose:
 - (i) if the research analyst or a intermediary of the research analyst's close relative has a financial interest in the debt or equity securities of the subject company, and the nature of such interest;
 - (ii) if the research analyst or a intermediary or its employees serves as an officer of the subject company
 - (iii) if the research analyst or any affiliate received compensation based upon the intermediary's other activities revenues in the previous 12 months;
 - (iv) if, the subject company currently is, or during the 12-month period preceding the date of publication or distribution of the research report, was, a client of the intermediary;
 - (v) if a research analyst or an intermediary has managed or co-managed a public offering or any takeover, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for investment banking or brokerage services from the subject company in the past 12 months;
 - (vi) if a research analyst or an intermediary expects to receive or intends to seek compensation for investment banking or brokerage services from the subject company in the next three months;
 - (vii) If a research analyst or an intermediary has any financial interest in the debt or equity securities of the subject Company and such interests aggregate to an amount equal to or more than 1% of the equity securities of the subject Company;
 - (viii) any other material conflict of interest of the research analyst or intermediary that the research analyst or an associated person of the intermediary with the ability to influence the content of a research report knows or has reason to know at the time of the publication or distribution of a research report.
- (4) All the disclosures under these regulation shall be made by a research analyst or an intermediary in public appearance.
- (5) Research Analyst or an intermediary shall not be required to make a disclosure to the extent such disclosure would reveal material non-public information regarding specific potential investment banking or brokerage transactions of the subject company.

- (6) Research Analyst or an intermediary shall not be held responsible, if relevant disclosures have been made and their report is published or reproduced in whole or in part in the public media without the relevant disclosures.

20. Recommendations in public media

- (1) All the provisions of regulation 14 to 19 *mutatis mutandis* shall apply to Research Analyst or an intermediary or an asset management company or fund manager of Alternative Investment Fund, Proxy Advisory Service Providers or their employees or directors who makes commentaries or recommendations concerning securities or public offers through public media:-
- (i) When they provide analyses or comments in public media in their personal capacity, they shall disclose their name, their registration status if any, and the details of financial interest if any, at the time of provision of analyses or comments.
 - (ii) When they respond in personal capacity to queries from audiences and journalists
 - (i) When they communicate the research report or substance of the research report through the public media.

21. Distribution of Research Reports

- (1) A research report shall not be distributed selectively to internal trading personnel or a particular client or class of clients in advance of other clients that are entitled to receive the research report.
- (2) Research Analyst or an intermediary distributing any third-party research report shall establish written policies and procedures reasonably designed to ensure the completeness and accuracy of all applicable disclosures.
- (3) An intermediary's obligation to review a third-party research report extends to any untrue statement of material fact or any false or misleading information that:
- (i) should be known from reading the report; or
 - (ii) is known based on information otherwise possessed by the intermediary.
- (4) An intermediary which distributes any third party research report, shall accompany the third-party research report it distributes, or provide a web address that directs a recipient to, disclosure of any material conflict of interest that can reasonably be expected to have influenced the choice of a third party research provider or the subject company of a third-party research report.
- (5) An intermediary shall not be required to follow provisions of sub regulation (1) to (3) of regulation 21 and not required to review a third-party research report if such research report is an independent third-party research report.

22. Termination of Coverage

- (1) Research Analyst or an intermediary shall promptly notify its clients if it intends to terminate coverage of a subject company.
- (2) The notice under sub regulation (1) shall be accompanied by a final research report, comparable in scope and detail to prior research reports, and include a final recommendation or rating.
- (3) If impracticable to provide a final research report, recommendation or rating, Research Analyst or an intermediary shall disclose to its clients, its reason for terminating coverage.

CHAPTER IV GENERAL OBLIGATION

23. General responsibility.

- (1) Research Analyst or an intermediary shall act in a fiduciary capacity towards its clients and shall disclose all conflicts of interests as and when they arise on and suitably address the same.
- (2) Research Analyst or an intermediary shall maintain an arms-length relationship between its research activity and other activities which may impair its neutrality in respect of activity as Research Analyst.
- (3) Research Analyst or an intermediary shall abide by Code of Conduct as specified in Third Schedule.
- (4) In case of change in control of the Research Analyst or an intermediary, prior approval from the Board shall be taken.
- (5) Research Analyst or an intermediary shall furnish to the Board information and reports as may be specified by the Board from time to time.
- (6) It shall be the responsibility of the Research Analyst or an intermediary to ensure that its employees or partners, preparing research report as applicable, comply with the certification and qualification requirements under Regulation 6 at all times.

24. Maintenance of records.

- (1) Research Analyst or an intermediary shall maintain the following records,-
 - (i) Research Report prepared;
 - (ii) Research recommendation provided, whether written or oral;
 - (iii) Rationale for arriving at research recommendation;
 - (iv) Record of Public appearances.
- (2) All records shall be maintained either in physical or electronic form and preserved for a minimum period of five years:
Provided that where records are required to be duly signed and are maintained in electronic form, such records shall be digitally signed.

- (3) Research Analyst shall conduct yearly audit in respect of compliance with these regulations from practicing member of Institute of Chartered Accountants of India or Institute of Company Secretaries of India.

25. Appointment of compliance officer.

Research Analyst or an intermediary which is a body corporate or a partnership firm shall appoint a compliance officer who shall be responsible for monitoring the compliance by the Research Analyst in respect of the requirements of the Act, regulations, notifications, guidelines, instructions issued by the Board.

CHAPTER V

INSPECTION

26. Board's right to inspect.

The Board may *suo motu* or upon receipt of information or complaint appoint one or more persons as inspecting authority to undertake inspection of the books of accounts, records and documents relating to Research Analyst or an intermediary for any of the following reasons, namely: -

- (i) to ensure that the books of account, records and documents are being maintained by the Research Analyst in the manner specified in these regulations;
- (ii) to inspect into complaints received from clients or any other person, on any matter having a bearing on the activities of the Research Analyst;
- (iii) to ascertain whether the provisions of the Act and these regulations are being complied with by the Research Analyst;
- (iv) to inspect into the affairs of Research Analyst, in the interest of the securities market or in the interest of investors.

27. Notice before inspection.

- (1) Before ordering an inspection under regulation 26, the Board shall give not less than seven days notice to the Research Analyst or an intermediary.
- (2) Notwithstanding anything contained in sub-regulation (1), where the Board is satisfied that in the interest of the investors no such notice should be given, it may by an order in writing direct that the inspection of the affairs of the Research Analyst or an intermediary be taken up without such notice.
- (3) During the course of an inspection, the Research Analyst or an intermediary against whom the inspection is being carried out shall be bound to discharge its obligations as provided in regulation 28.

28. Obligation of Research Analyst on inspection.

- (1) It shall be the duty of every Research Analyst or an intermediary in respect of whom an inspection has been ordered under the regulation 26 and any other associate person who is in possession of relevant information pertaining to conduct and affairs of such Research Analyst including representative of Research Analyst, if any, to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with such statements and information as the inspecting authority may require for the purposes of inspection.
- (2) It shall be the duty of every Research Analyst or an intermediary and any other associate person who is in possession of relevant information pertaining to conduct and affairs of the research analyst to give to the inspecting authority all such assistance and shall extend all such co-operation as may be required in connection with the inspection and shall furnish such information as sought by the inspecting authority in connection with the inspection.
- (3) The inspecting authority shall, for the purposes of inspection, have power to examine on oath and record the statement of any employees, directors, partners or person responsible for or connected with the activities of Research Analyst or an intermediary or any other associate person having relevant information pertaining to such research analyst.
- (4) The inspecting authority shall, for the purposes of inspection, have power to obtain authenticated copies of documents, books, accounts of Research Analyst or an intermediary, from any person having control or custody of such documents, books or accounts.

29. Submission of report to the Board.

The inspecting authority shall, as soon as possible, on completion of the inspection submit an inspection report to the Board:

Provided that if directed to do so by the Board, the inspecting authority may submit an interim report.

30. Action on the inspection report.

The Board may after consideration of the inspection report and after giving reasonable opportunity of hearing to the Research Analyst or its authorized representatives, without prejudice to any other action under the Act, issue such directions as it deems fit in the interest of securities market or the investors including,-

- (i) requiring Research Analyst or an intermediary not to provide research recommendation for a particular period;
- (ii) requiring the Research Analyst or an intermediary to refund any money collected as fees, charges or commissions or otherwise to the concerned clients along with the requisite interest.

- (iii) prohibiting the Research Analyst or an intermediary from operating in the capital market or accessing the capital market for a specified period.

CHAPTER VI

PROCEDURE FOR ACTION IN CASE OF DEFAULT

31. Liability for action in case of default.

Research Analyst who -

- (i) contravenes any of the provisions of the Act or any regulations or circulars issued thereunder;
- (ii) fails to furnish any information relating to its activity as a research analyst as required by the Board;
- (iii) furnishes to the Board information which is false or misleading in any material particular;
- (iv) does not submit periodic returns or reports as required by the Board;
- (v) does not co-operate in any enquiry, inspection or investigation conducted by the Board;
- (vi) fails to resolve the complaints of clients or fails to give a satisfactory reply to the Board in this behalf, shall be dealt with in the manner provided under the Act or the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

CHAPTER VII

MISCELLANEOUS

32. Power of the Board to issue clarifications etc.

In order to remove any difficulties in the application or interpretation of these regulations, the Board may issue clarifications and guidelines in the form of circulars.

33. Power of the Board over body or body corporate recognized under Regulation 13.

The Board reserves the right to alter, modify and overrule any decision, action taken or penalties imposed by the body or body corporate recognized under regulation 13.

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FIRST SCHEDULE

FORM A

Securities and Exchange Board of India

(Research Analyst) Regulations, 2013

[See Regulations 3(2) and 10]

Application for Grant of Certificate of Registration/Renewal as Research Analyst

Securities and Exchange Board of India

SEBI Bhavan, C4-A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051 - India

INSTRUCTIONS

1. This form is meant for use by the applicant for grant of certificate of registration as an Research Analyst.
2. The applicant should complete this form, and submit it, along with all supporting documents to the Board at its head office at Mumbai.
3. This application form should be filled in accordance with these regulations.
4. The application shall be considered by the Board provided it is complete in all respects.
5. All answers must be legible and all the pages must be numbered with signature/ stamp on each page of the form.
6. Information which needs to be supplied in more detail may be given on separate sheets which should be attached to the application form and appropriately numbered.
7. The application must be signed.
8. The application must be accompanied by an application fee as specified in the Second Schedule to these regulations.

1. GENERAL INFORMATION

- (a) Name, address of the registered office, address for correspondence and principal place of business, telephone number(s), fax number(s), e-mail address of the applicant.

- (b) Whether application is for registration/ renewal. Provide registration number if the application is for renewal of certificate.
- (c) Name, direct line number, mobile number and e-mail of the contact person(s).
- (d) Legal structure of applicant - Whether the applicant is an individual, body corporate (including company), partnership firm or limited liability partnership.
- (e) Whether the applicant is a bank /NBFC.
- (f) Date and place of incorporation/ establishment, if any. If the applicant is incorporated outside India, details of such incorporation.
- (g) Whether the applicant is engaged in research activity prior to making application under these regulations.
- (h) Whether the applicant is registered with SEBI, RBI, IRDA or PFRDA in any capacity. If so, details of such registration.
- (i) Write-up on the activities of the applicant.

2. DETAILS OF APPLICANT (Provide details of only the section applicable to you)

I. In case applicant is an individual:

1. Whether the applicant has:
 - a. A professional qualification or post-graduate degree or post graduate diploma in finance, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognized by the Central Government or any State Government or a recognised foreign university or institution or association; or
 - b. A graduate in any discipline with an experience of at least five years in activities relating to research analysis, fund or asset or portfolio management, rating, investment banking or brokerage services ;

(Provide self certified copies of supporting documents).
2. Copy of certification obtained in accordance with regulation 6(2).
(If the applicant is a existing research analyst applying for fresh registration, then provide a declaration stating that it shall obtain such certification within two years from the date of commencement of these regulations and submit a copy of the certification to the Board within 15 days of receipt of such certification.)
3. Number of employees of the applicant, if any, who shall engage in research analysis under these regulations on behalf of the applicant. Provide documents as mentioned in points (1) to (2) above for such employees/ agents.
4. Enclose identity proof and address proof of the applicant.

5. Details of ownership/directorship of the applicant in any companies or partnership interest in any firm or limited liability partnership.
6. Copy of Income Tax Return/ Copy of Form 16 for the last 3 years.
7. Copy of assets and liabilities statement and certification of net tangible assets certified by a chartered accountant (not more than six months old at the time of filing of application). Please note that membership number of the Chartered accountant must be included in the certificate,

II. In case applicant is a company:

1. Shareholding pattern and profile of the directors (Enclose identity proof and address proof of the directors).
2. Number of employees and agents of the applicant (hereinafter referred to as 'representatives') who shall engage in research analysis under these regulations on behalf of the applicant.
3. Declaration by the applicant that its representatives currently comply with the certification and qualification requirements under regulation 6. *(If the applicant is an existing research analyst applying for fresh registration, then provide a declaration stating that the applicant shall ensure that all its representatives obtain such certification within two years from the date of commencement of these regulations and after all its representatives obtain the certification, a declaration to that effect shall be submitted to SEBI.)*
4. Declaration by the applicant that it shall ensure that its representatives comply with the certification and qualification requirements under Regulation 6 at all times.
5. List of associated companies registered with SEBI, RBI, IRDA or PFRDA along with the registration number.
6. If applicant is a bank or NBFC, then copy of approval from RBI for undertaking research activity.
7. Net worth certificate by a chartered accountant, not more than six months old. Please note that membership number of the chartered accountant must be included in the certificate,

III. In case applicant is a partnership firm or a limited liability partnership:

1. Names and Beneficial ownership pattern of the partners engaged/proposed to engage in research analysis (Enclose identity proof and address proof of the partners).
2. Whether the aforesaid partners have:
 - a. A professional qualification or post-graduate degree or post graduate diploma in finance, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution

recognized by the Central Government or any State Government or a recognised foreign university or institution or association; or

- b. A graduate in any discipline with an experience of at least five years in activities relating to research analysis or fund or asset or portfolio management, rating or investment banking or brokerage services ;

(Provide self certified copies of supporting documents).

3. Copy of certification obtained by the aforesaid partners in accordance with regulation 6(2).
(If the applicant is an existing research analyst applying for fresh registration, then provide a declaration stating that all the partners engaged in research analysis shall obtain such certification within two years from the date of commencement of these regulations and after all such partners obtain the certification, a declaration to that effect shall be submitted to SEBI.)
4. Declaration that the aforesaid partners shall obtain fresh certification before expiry of the validity of the existing certification to ensure continuity in compliance with certification requirements.
5. Copy of assets and liabilities statement and certification of net tangible assets of the partnership firm certified by a chartered accountant (not more than six months old at the time of filing of application). Please note that membership number of the chartered accountant must be included in the certificate.

IV. In case applicant is a body corporate (other than company or limited liability partnership):

1. Shareholding pattern and profile of the directors (Enclose identity proof and address proof of the directors).
2. Whether the applicant is set up or established under the laws of the Central or State Legislature and whether the applicant is permitted to carry on of the activity of a research analyst (Enclose relevant extract of the relevant Statute/Act).
3. Number of employees of the applicant (hereinafter referred to as 'representatives') who are engaged/ propose to engage in research analysis under these regulations on behalf of the applicant.
4. Declaration by the applicant that its representatives currently comply with the certification and qualification requirements under regulation 6.
(If the applicant is an existing research analyst applying for fresh registration, then provide a declaration stating that the applicant shall ensure that all its representatives obtain such certification within two years from the date of commencement of these regulations and after all

its representatives obtain the certification, a declaration to that effect shall be submitted to SEBI.)

5. Declaration by the applicant that it shall ensure that its representatives comply with the certification and qualification requirements under regulation 6 at all times.
6. Net worth certificate by a chartered accountant, not more than six months old. Please note that membership number of the chartered accountant must be included in the certificate.

3. DETAILS OF INFRASTRUCTURE

1. Details of office space, office equipment, furniture and fixtures, communication facilities, research capacity, research software for undertaking research analysis.
2. Declaration that the applicant has the necessary infrastructure to effectively discharge the activities of research analyst.

4. OTHER INFORMATION/DECLARATIONS/ REGULATORY ACTIONS

- (a) Details of all settled and pending disputes in the last 5 years.
- (b) Whether any previous application for grant of certificate made by any person directly or indirectly connected with the applicant has been rejected by the Board; If yes, provide details of the same.
- (c) Whether any disciplinary action has been taken by the Board or any other regulatory authority against any person directly or indirectly connected with the applicant under the Act or the regulations made there under in the last 5 years. If yes, provide details of the action.
- (d) Whether the applicant/directors/promoters/ partners have been indicted/involved in any economic offence in the last 5 years. If yes, provide details of the same.
- (e) A credit report/ score from CIBIL for the applicant. *(For applicants other than financial institutions & banking companies)*
- (f) Declaration that the applicant, its representatives and partners, if any, are fit and proper persons based on the criteria as specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008;
- (g) Declaration that the applicant shall comply with Regulation 14 with respect to the provisions pertaining to identifying and managing conflict of interest;
- (h) Declaration that the applicant shall comply with Regulation 15 and 16 with respect to the disclosures to be made in the research reports and public appearances;
- (i) Declaration that the applicant shall adhere to the responsibilities prescribed in Regulation 20; and
- (j) Any other information considered relevant to the nature of services to be rendered by the applicant.

5. DECLARATION STATEMENT

I/We hereby agree and declare that the information supplied in the application, including the attachment sheets, is complete and true.

AND I/ we further agree that, I/we shall notify the Securities and Exchange Board of India immediately any change in the information provided in the application.

I/ We further agree that I/ we shall comply with, and be bound by the Securities and Exchange Board of India Act, 1992, and the Securities and Exchange Board of India (research analyst) Regulations, 2013, guidelines/instructions as may be announced by the Securities and Exchange Board of India from time to time.

I/ We further agree that as a condition of registration, I/ we shall abide by such operational instructions/directives as may be issued by the Securities and Exchange Board of India from time to time.

For and on behalf of _____

(Name of the applicant)

Authorized signatory/ Applicant

(Signature)

(Date and Place)

Form B

Securities and Exchange Board of India (Research Analyst) Regulations, 2013

[See Regulation 8]

Certificate of registration as Research Analyst

I. In exercise of the powers conferred by sub-section (1) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), read with the regulations made there under, the Board hereby grants a certificate of registration to _____ as a research analyst subject to the conditions specified in the Act and in the regulations made thereunder.

II. The Registration Number of the investment adviser is IN/RA/_____.

III. Unless renewed, the certificate of registration is valid from _____ to _____.

Date :

Place : MUMBAI

By Order

Sd/-

**For and on behalf of
Securities and Exchange Board of India**

SECOND SCHEDULE

Securities and Exchange Board of India (Research Analyst) Regulations, 2013

[Regulation 3(2) and Regulation 8]

FEES

1. Every applicant shall pay non-refundable application fees of fifty thousand rupees along with the application for grant or renewal of certificate of registration.
2. Applicants which are individuals and firms shall pay a sum of one lakh rupees as registration/ renewal fee at the time of grant or renewal of certificate by the Board.
3. A body corporate shall pay a sum of five lakh rupees as registration/ renewal fee at the time of grant or renewal of certificate by the Board.
4. The fee referred to in paragraph 1, 2 and 3 shall be paid by the applicant within fifteen days from the date of receipt of intimation from the Board by a demand draft in favor of 'Securities and Exchange Board of India' payable at Mumbai.

THIRD SCHEDULE

[See sub-regulation (3) of regulation 23]

CODE OF CONDUCT FOR RESEARCH ANALYST

1. **Honesty and fairness**

Research Analyst shall act honestly, fairly and in the best interests of its clients and in the integrity of the market.

2. **Diligence**

Research Analyst shall act with due skill, care and diligence in the best interests of its clients and shall ensure that the research report is prepared after thorough analysis.

3. **Conflicts of Interest**

Research Analyst or intermediary shall avoid, manage conflict and make disclosure of conflicts or suitably address the same.

4. **Insider Trading or front running**

The Research Analyst or intermediary or employees of intermediary shall not engage in insider trading or front running or front running of its own research report.

5. **Confidentiality**

Research Analyst or intermediary or its employees shall maintain confidentiality of report till the report is made public.

6. **Professional Standard**

The Research Analyst or the staff of the intermediary engaged in research analysis shall observe high professional standard while preparing research report.

7. **Compliance**

Research Analyst including its employees shall comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of clients and the integrity of the market.

8. **Responsibility of senior management**

The senior management of a body corporate which is registered as Research Analyst shall bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the body corporate.