National Stock Exchange of India Limited

Circular

DEPARTMENT: INSPECTION	
Download Ref No: NSE/INSP/61096	**Date: March 12, 2024**
Circular Ref. No: 14/2024	

To All Members,

Sub: Measures to instill trust in securities market – Expanding the framework of Qualified Stock Brokers (QSBs) to more stock brokers

SEBI has issued circular no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/14 on the subject "Measures to instill trust in securities market – Expanding the framework of Qualified Stock Brokers (QSBs) to more stock brokers." A copy of the said SEBI circular is enclosed as **Annexure A** for your reference.

Members are advised to take note of the contents of the Circular.

For and on behalf of
National Stock Exchange of India Limited

Kapil Marwah
Associate Vice President

In case of any clarifications, Members may contact our below offices:

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Annexure A

CIRCULAR

SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/14 **March 11, 2024**

To

All Recognized Stock Exchanges

Stock Brokers through Recognized Stock Exchanges

Sir/Madam,

Measures to instill trust in securities market – Expanding the framework of Qualified Stock Brokers (QSBs) to more stock brokers

1. In order to further strengthen the compliance and monitoring requirements of the stock brokers through mandating enhanced obligations and responsibilities on stockbrokers, SEBI, vide circular no. SEBI/HO/MIRSD-PoD-1/P/CIR/2023/24 dated February 06, 2023 and para 18 of Master Circular for Stock Brokers dated May 17, 2023 *inter-alia* stated that the following four parameters shall be considered for designating a stockbroker as QSB, on an annual basis:
   1.1. the total number of active clients of the stock broker;
   1.2. the available total assets of clients with the stock broker;
   1.3. the trading volumes of the stock broker (excluding the proprietary trading volume of the stock broker);
   1.4. the end of day margin obligations of all clients of a stock broker (excluding the proprietary margin obligation of the stock broker in all segments)

2. Based on the aforementioned parameters, the first list of QSBs was issued by stock exchanges on March 03, 2023.

3. To further protect the interest of investors and for building trust in securities market, it has been decided to extend the framework of QSBs to more stockbrokers. Henceforth, the revised list of QSBs shall be calculated by considering the following parameters, in addition to above mentioned four parameters:
   3.1. compliance score of the stock broker;

3.2. grievance redressal score of the stock broker; and

3.3. the proprietary trading volumes of the stock broker.

4. Accordingly, the revised framework with regard to the parameters for designating a stockbroker as QSB and procedure for identifying a stock broker as QSB is as follows:

Parameters for designating a stock broker as QSB:

4.1. The following parameters shall be considered for designating a stock broker as QSB:

4.1.1. the total number of active clients of the stock broker;

4.1.2. the available total assets of clients with the stock broker;

4.1.3. the trading volumes of the stock broker (excluding the proprietary trading volume of the stock broker);

4.1.4. the end of day margin obligations of all clients of a stock broker (excluding the proprietary margin obligation of the stock broker in all segments)

4.1.5. the proprietary trading volumes of the stock broker;

4.1.6. compliance score of the stock broker; and

4.1.7. grievance redressal score of the stock broker.

Procedure for identifying a stock broker as QSB:

4.2. The following procedure shall be followed for identifying a stock broker as QSB:

4.2.1. For each stock broker, the percentage (%) of a particular parameter compared to aggregate of the respective parameter summed across all stock brokers shall be calculated, viz. % of count of active clients for a particular broker shall be calculated by dividing the individual count of active clients for a particular broker by total number of active clients of all the stock brokers and the value is multiplied by 100. Similarly, individual % shall be calculated for all the parameters mentioned at para 4.1.1 to 4.1.7 above.

4.2.2. Based on the % of various parameters calculated above, the following stock brokers shall be identified as QSBs:

4.2.2.1. Stock brokers with a total sum of individual % of the parameters mentioned at para 4.1.1 to 4.1.5, greater than or equal to six point two five (6.25) shall be identified as QSBs.

4.2.2.2. In case of the parameter mentioned at para 4.1.6, i.e., compliance score of the stock broker, all stockbrokers (subject to maximum of 5) shall be considered as QSBs, if their individual compliance score is equal to or more than 2%.

4.2.2.3. In case of the parameter mentioned at para 4.1.7, i.e., grievance redressal score of the stock broker, all stockbrokers (subject to maximum of 5) shall be considered as QSBs, if their individual grievance redressal score is equal to or more than 5%.

4.3. The values shall be calculated on an annual basis and the revised list of QSBs shall be released jointly by stock exchanges, in consultation with SEBI. For calculating the values for a particular year, parameters as on December 31st of such year shall be considered.

4.4. Once the revised list of QSBs is released, those QSBs which no longer belong to the list, shall continue to comply with the enhanced obligations and responsibilities, for an additional period of 3 financial years or such time, as may be specified by Market Infrastructure Institutions (MIIs), in consultation with SEBI.

Facilitating stockbrokers to voluntarily get designated as QSBs:

4.5. In order to strengthen the compliance culture among stock brokers and thereby, encourage stock brokers to follow the enhanced obligations and responsibilities, it has been decided to facilitate stockbrokers to voluntarily get designated as QSBs, who otherwise would not have qualified to become QSBs by virtue of the parameters enumerated at para 4.1.

4.6. Such voluntarily designated QSBs shall have to abide by all the enhanced obligations and responsibilities for QSBs stated at para 18.5 and 18.6 of the master circular including such other provisions as may be prescribed by SEBI/stock exchanges from time to time. The detailed operational modalities in this regard shall be issued by stock exchanges, in consultation with SEBI.

5. **Applicability:**

5.1. The provisions of this circular shall come into force in a risk-based, staggered manner to ensure smooth adoption and effective implementation for all the QSBs by providing enough time for them, based on their size, for making necessary changes.

5.2. Based on the above, the effective date of implementation for different QSBs based on the parameter by which they are designated as QSBs has been prescribed in the table below:

Parameters based on which a broker is designated as QSB	**Applicability of the circular**
Parameters mentioned at para 4.1.1 to 4.1.5 above	June 1st of the subsequent year
Parameters mentioned at para 4.1.6 and 4.1.7 above	September 1st of the subsequent year

Amendments to Master Circular for Stock Brokers dated May 17, 2023:

6. Based on the revised framework stated above, master circular is amended to the extent stated below:

6.1. Para 18.4 of the master circular is replaced with para 4 stated above.

6.2. Para 18.7 of the master circular is replaced with para 5.2 stated above.

All other provisions of the master circular shall remain unchanged.

7. Stock Exchanges are directed to:
   7.1. bring the provisions of this circular to the notice of stock brokers and also disseminate the same on their websites;
   7.2. make amendments to the relevant bye-laws, rules and regulations for the implementation of the above provisions;
   7.3. issue the revised list of QSBs (excluding list of QSBs stated at para 4.5 of this circular).

8. This circular is issued in exercise of powers conferred under Section 11(1) of Chapter IV of the Securities and Exchange Board of India Act, 1992, read with Regulation 30 of Chapter VII of SEBI (Stock Brokers) Regulations, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

9. This circular is available on SEBI website at www.sebi.gov.in under the category "Circulars".

Yours faithfully,

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