



ROLE OF SUB-BROKER (SB) VIS-À-VIS AUTHORIZED PERSON (AP)¹

1. Under the current regulatory framework, Sub-Brokers ('SB') need to seek registration from SEBI under SEBI (Stock Broker and Sub-Broker) Regulations, 1992, and Authorized Persons ('AP') need to seek registration from the concerned Exchange. There is no difference in the operative role of a Sub-Broker and that of an Authorized Person.
2. SEBI Board in its meeting held on June 21, 2018 decided to discontinue with Sub-Broker as an intermediary to be registered with SEBI.
3. In view of the same, the need for the category of Sub-Broker as a market intermediary may no longer be required. Therefore, it is decided that-
 - a) No fresh registration shall be granted to any person as Sub-Broker. Any pending applications for registration as Sub-Brokers under process, shall be returned to the concerned Stock Exchanges for onward transmission to the applicant.
 - b) The registered Sub-Brokers shall have time till March 31, 2019 in order to migrate to act as an AP and/ or Trading Member (TM). The Sub-Brokers, who do not choose to migrate into AP and /or TM, shall deemed to have surrendered their registration with SEBI as Sub-Broker, w.e.f. March 31, 2019.
 - c) Consequent upon migration/ deemed surrender, the certificate of registration granted to the Sub-Brokers by SEBI shall stand withdrawn.
 - d) The migration path for existing registered Sub-Brokers, shall be as under:
 - i. In case of a registered Sub-Broker who is already approved to act as AP in Derivatives Segment of the Exchanges, he shall be registered with the Exchange to continue activities of Sub-Broker as an AP in Cash Segment.
 - ii. In case of a registered Sub-Broker who is not approved by Stock Exchanges to act as AP in Derivatives Segment, Exchanges shall register them as AP in Cash Segment, to continue their operations without disruption.
 - iii. The existing Sub-Broker has an option to become a Trading Member, if the Sub-Broker meets the eligibility criteria prescribed under Stock Exchange Bye-laws and SEBI Regulations and by complying with these Regulations.
 - e) All the existing Sub-Brokers shall be required to pay renewal fees to SEBI up to financial year 2018-19; and renewal fees paid by Sub-Broker for the financial years beyond 2018-19 shall be refunded on receipt of recommendation from respective Stock Exchange.
 - f) The Stock Exchanges shall put in place appropriate process for surrender or migration of Sub-Broker to AP/ TM.
4. The Stock Exchanges are directed to:
 - a) Bring the provisions of this circular to the notice of the Stock Brokers and Sub-Brokers, and also disseminate the same on their websites;
 - b) Make amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision in co-ordination with one another, as considered necessary;
 - c) Monitor the compliance of this circular;

¹ Available at: <https://www.sebi.gov.in/legal/circulars/aug-2018/role-of-sub-broker-sb-vis-a-vis-authorized-person-ap-39825.html>

- d) Communicate to SEBI, the status of the implementation of the provisions of this circular.
5. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interest of investors in securities and to promote the development of and to regulate the securities market.

AUDIT OF BANKS²

With regard to Statutory Audit, Reserve Bank of India (RBI) has informed that it has issued Guidelines for appointment of Statutory Central Auditors (SCAs) and Statutory Branch Auditors in Public Sector Banks (PSBs), which covers the norms on eligibility, empanelment and selection as well as the procedure for appointment of such auditors. In case of Private Sector Banks and Foreign Banks operating in India, RBI vide its Guidelines has specified the minimum standards required to be satisfied by audit firms for appointment as SCAs as well as aspects such as term of appointment, rest period, treatment of group of audit firms having common partners, maximum number of banks that an audit firm can undertake statutory audit assignment. In case of overseas branches of Scheduled Commercial Banks (SCBs), RBI has advised that Statutory Auditors have to be appointed for all the overseas branches every year. Further, RBI has also mandated the modalities and procedure for appointment of such auditors. In the case of PSBs having overseas branches, one-third are covered by rotation for quarterly/half-yearly review and audit is done through audit firms operating in the countries where the branches are functioning. Banks, including PNB, carry-out audit in terms of these guidelines. As regards details of irregularities, lapses and fraudulent transactions detected by auditors in their audit, RBI has apprised that it does not have information in this regard.

With regard to concurrent audit, RBI has apprised that its guidelines to SCBs lay down the broad parameters for scope, coverage, types of activities to be covered, appointment of auditors etc. RBI has also mandated a Minimum Audit Programme in form of a checklist, while stipulating that the detailed scope of concurrent audit may be determined and approved by Audit Committee of the bank's Board of Directors.

With regard to internal audit, RBI has apprised that it has issued detailed guidelines on risk-based Internal Audit System in banks. These mandate banks to put in place well-defined policy, duly approved by their Board, for undertaking risk-based internal audit, and cover areas such as risk assessment process, scope and coverage of internal audit, performance evaluation, review of internal audit function, etc.

RBI, vide circular dated 1.11.2004, conveyed general permission to banks authorized to deal in foreign exchange to issue LoUs in favor of overseas suppliers, banks and financial institutions, up to a specified transaction amount and period, for import of capital and non-capital goods, subject to RBI's prudential guidelines. RBI discontinued the practice of issuance of LoUs vide circular 13.3.2018.

As per RBI data, the number of complaints against Commercial Banks pertaining to deficiencies in banking services, received in the offices of the Banking Ombudsmen of RBI was 1,02,894 for the financial year (FY) 2015-16, 1,30,987 for FY 2016-17, and 1,63,590 for FY 2017-18. RBI has further apprised that action has been taken on the complaints as per the provisions of RBI's Banking Ombudsman Scheme, 2006.

This was stated by Shri Shiv Pratap Shukla, Minister of State for Finance in a Written Reply to a Question in Rajya Sabha.

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