

**Consultation paper**  
**on**  
**Draft circular on recognition as Specified Digital Platform**

**1. Objective**

- 1.1. The objective of this paper is to seek public comments on the provisions of the draft circular laying down the preventive and curative measures required to be demonstrated by the digital platform for recognition as Specified Digital Platform (SDP) under SEBI (Intermediaries) Regulations, 2008, Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 and SEBI (Depositories and Participants) Regulations, 2018.

**2. Background**

- 2.1. In order to address concerns related to unregistered entities and claims which are not permitted by SEBI, SEBI (Intermediaries) (Amendment) Regulations, 2024, Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Fourth Amendment) Regulations, 2024 and SEBI (Depositories and Participants) (Second Amendment) Regulations, 2024 have been notified by SEBI on August 26, 2024.
- 2.2. In terms of these regulations, the persons regulated by the Board, recognised stock exchanges, recognised clearing corporations and registered depositories, and their agents shall not have any direct or indirect association with another person who-
- i. provides advice or any recommendation, directly or indirectly, in respect of or related to a security or securities, unless the person is registered with or otherwise permitted by the Board to provide such advice or recommendation; or
  - ii. makes any claim, of returns or performance expressly or impliedly, in respect of or related to a security or securities, unless the person has been permitted by the Board to make such a claim.
- 2.3. The aforesaid provisions shall however not be applicable in respect of an association through a “specified digital platform”.

- 2.4. A “specified digital platform” shall mean digital platform as specified by the Board, which has a mechanism in place to take preventive as well as curative action, to the satisfaction of the Board, to ensure that such a platform is not used for indulging in any activity as referred to in para 2.2 (i) or 2.2 (ii) above.
- 2.5. Given the above, it is proposed that the digital platform may be recognised as a specified digital platform if it demonstrates the preventive and curative measures as specified under the provisions of the draft circular placed at Annexure A, to the satisfaction of the Board.

### 3. Public Comments

- 3.1. The draft circular on “Recognition as Specified Digital Platform” is placed at Annexure A. Comments are invited on the proposals mentioned in the Draft Circular. The comments/ suggestions should be submitted latest by November 12, 2024, through the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

- 3.2. In case of any technical issue in submitting your comment through web based public comments form, you may write to [consultationMIRSD@sebi.gov.in](mailto:consultationMIRSD@sebi.gov.in) with the subject: "Comments on Consultation paper on Recognition as Specified Digital Platform."

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**Issued on: October 22, 2024**

**Encl: Annexure-A**

**DRAFT CIRCULAR**

SEBI/HO/MIRSD/ MIRSD-PoD-2/P/CIR/2024/

October XX, 2024

To,

**All Digital Platforms**

**All registered Intermediaries**

**All recognised Stock Exchanges**

**All recognised Clearing Corporations**

**All registered Depositories**

**BSE Limited (Administration and supervisory body for Investment Advisers and Research Analysts- IAASB/RAASB)**

Sir / Madam,

**Sub: Recognition as Specified Digital Platform**

1. Securities and Exchange Board of India (Intermediaries) (Amendment) Regulations, 2024, Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Fourth Amendment) Regulations, 2024 and Securities and Exchange Board of India (Depositories and Participants) (Second Amendment) Regulations, 2024 have been notified by SEBI on August 26, 2024.
2. These regulations inter alia provide that the persons regulated by the Board, recognised stock exchanges, recognised clearing corporations and registered depositories, and their agents shall not have any direct or indirect association with another person who-
  - (i) provides advice or any recommendation, directly or indirectly, in respect of or related to a security or securities, unless the person is registered with or otherwise permitted by the Board to provide such advice or recommendation; or

(ii) makes any claim, of returns or performance expressly or impliedly, in respect of or related to a security or securities, unless the person has been permitted by the Board to make such a claim.

However, the aforesaid provisions are not applicable in respect of an association through a “specified digital platform”.

3. In terms of these regulations, a “specified digital platform” shall mean digital platform as specified by the Board, which has a mechanism in place to take preventive as well as curative action, to the satisfaction of the Board, to ensure that such a platform is not used for indulging in any activity as referred to in clauses (i) or (ii) of paragraph 2 of this circular.
4. Given the above, it is proposed that the digital platform may be recognised as a specified digital platform if it demonstrates the preventive and curative measures, as specified in this circular, to the satisfaction of the Board.
5. In this circular, unless the context otherwise requires, -
  - (a) “advertisement” shall mean any content on the digital platform that is intended to promote the sale, disposal, or use of any product or service, and in addition shall include a content that is identified/classified as an advertisement by the digital platform in accordance with its own policy/guidelines.
  - (b) “association” shall mean-
    - (i) a transaction involving money or money’s worth;
    - (ii) referral of a client;
    - (iii) interaction of information technology systems;
    - (iv) any other association of a similar nature or character.
  - (c) “Content” means data, record or data generated, image or sound stored, received or sent in an electronic form or micro film or computer generated micro fiche.
  - (d) “Digital platform” means the software and media platform which enables online interaction between two or more users and allows them to create, upload, share, disseminate, modify or access information using its services.
  - (e) “person regulated by the Board” shall mean –
    - (i) a person registered with the Board under section 12 of the Act;

- (ii) an asset management company of a mutual fund registered with the Board;
- (iii) manager of an alternative investment fund registered with the Board;
- (iv) investment manager of an infrastructure investment trust registered with the Board;
- (v) manager of a real estate investment trust registered with the Board;
- (f) “User” means any person who accesses or avails the services of a digital platform.

6. In order to seek recognition as “specified digital platform” (hereinafter referred as ‘the platform’), the digital platform shall have the following measures in place.

#### 6.1. Preventive Measures

Preventive measures are the proactive and pre-emptive actions that the platform takes in order to prevent (i) fraud; (ii) impersonation; (iii) any claims by entities, that are not otherwise permitted by the SEBI; and (iv) presence of the entities that are not registered/recognised or otherwise permitted by the SEBI. The specified digital media platforms should have the following preventive measures in place-

##### i. Policy on collaboration with SEBI:

The platform should have a laid down policy to the satisfaction of SEBI to share the information and data, specific or aggregated, related to securities market on their platform with SEBI when asked for and to act on the information and inputs received from SEBI.

##### ii. Ability to identify and analyse the content and/or advertisement related to a security or securities (including related services) under the regulatory purview of SEBI:

The platform should have in place the necessary technical tools, systems and expertise imparting the platform an ability to identify and analyse the content and/or advertisement related to a security or securities (including related services) under the regulatory purview of SEBI. The platform should deploy advanced artificial intelligence (AI) and machine learning (ML) tools for such purpose. The platform should have comprehensive guidelines and system to identify and analyse-

- a) whether the content and/or advertisement is related to securities market,
- b) whether the content and/or advertisement is by SEBI registered/recognised intermediary/entity or its agents, or not. The platform should have the mechanism to auto-check the registration/recognition status of the intermediary/entity from the whitelist published by SEBI, or their agents from the whitelist published by Association of Mutual funds in India (AMFI) and stock exchanges.
- c) whether the content and/or advertisement is in the nature of recommendation or advice or services in respect of or related to security or securities. If yes, whether the entity is permitted by SEBI to provide such recommendation or advice.
- d) whether the content and/or advertisement has any implicit or explicit claim of return or performance related in respect of or related to security or securities (including services). If yes, whether the entity is permitted to make such claim by SEBI or any agency recognised by SEBI.
- e) Whether the content and/or advertisement is exclusively for providing education in the securities market
- f) If the content and/or advertisement directs/redirects to another medium such as Telegram, WhatsApp, Phone, e-mail etc. thereby effectively functioning as an advertisement with a call to action.

**iii. Policy on violations related to securities market:**

The platform should have a policy to take measures to the satisfaction of SEBI to deal with the violations related to securities market including the cases of advice/recommendations/claims by entities not registered/permitted by SEBI.

**iv. Policy on impersonation related to securities market:**

The platform should have a policy to take strict measures against impersonation of the SEBI, SEBI officials and persons regulated by SEBI, MIIs and their agents. If the digital platform already has an existing policy on impersonation that covers the requirements, the digital platform shall demonstrate that the requirements are covered under their existing policy on impersonation.

**v. Policy on allowing the entities that provide securities market related content and/or advertisement to operate on the platform:**

For the entities providing content and/or advertisement related to securities market, platform should have a policy that it shall allow only -

- a) An intermediary/entity registered/recognised by SEBI and their agents to provide content and/or advertisement related to securities market, or
- b) A person or an entity or content and/or advertisement which is exempted under any regulations issued by SEBI, or
- c) A person who provides/posts/reposts/creates the content and/or advertisement related to securities market exclusively for the purpose of investor education provided the person does not provide any advice or recommendation, directly or indirectly or makes any claim, expressly or impliedly, of return or performance, and does not direct to avail any product or services in respect of or related to security or securities (including related services).

**vi. Usage of a verified label or badge system for SEBI regulated persons and their agents-**

The platform should have a system to provide verified label or badge to SEBI registered persons to enable users to distinguish between SEBI registered entities and unregistered entities and to allow it to flag for further scrutiny to bring down content/advertisement by unregistered entities.

**vii. Effective action based on the policies, to the satisfaction of SEBI:**

The platform should have a policy to and should take action on users and content creators responsible for fraud, impersonation and unregistered activities and non-permitted claims related to securities market.

**viii. Policy on transparency and accountability:**

The platform should have policy to and should submit periodic reports and other reports as and when required by SEBI, providing the information on the identification

and the action taken by the platform related to frauds, impersonation, unregistered activities and claims which are not permitted.

## 6.2. Curative Measures

Curative actions or measures are required to mitigate the impact of non-perfection of preventive measures. Curative action is important to restore the investor confidence and market integrity. The platform should have the following curative measures in place

### i. Ability to analyse the content and/or advertisement on the platform:

The platform should have the policy and system to analyse and take curative action on the content and/or advertisement on the platform for the violative content and entities. The platform should deploy advanced artificial intelligence (AI) and machine learning (ML) tools for such purpose.

### ii. Mechanism for escalation of unlawful content/advertisement and entities:

#### a) Escalation by SEBI and/or designated SEBI regulated persons and MIIs:

The platform should have a mechanism to enable reporting/escalation of the unauthorised content/advertisement and entities related to securities market on their platform by SEBI and SEBI regulated persons including MIIs.

#### b) Reporting/escalation by platform users:

The platform should also have a mechanism to report/flag the misleading content and/or advertisement or unauthorised entity by platform users so as to generate intelligence for further examination of such content/advertisement or entity.

### iii. Action on the reported content and/or advertisement:

The platform should have a policy to and take action to the satisfaction of SEBI and to promptly verify the reported content and/or advertisement and take the action in a specified Turn Around Time (TAT) with respect to the content and/or advertisement and entities that are reported/escalated by SEBI, SEBI regulated persons including



MIIs and intelligence based on the number of cases reported by platform users to the satisfaction of SEBI.

Such actions shall include-

- a) Taking down the reported/escalated content/advertisement, post, chat, as the case may be;
- b) Blocking the content, advertisement, handle, post, profile, chat, as the case may be;
- c) Preventing the sharing of the reported content and/or advertisement;
- d) Deactivating/disablement of the reported links, videos etc.
- e) Blacklisting of entities which are repeat offenders.

### 7. Type of action

The platform should have the capability to deal with the violations with the specified measures as mentioned in the matrices given below:

#### Matrix-I:

Level	Type of Action
Advertisement	Preventive and curative(failures of preventive)
Content	Preventive and curative
Channel	Removal of the Channel on three instances of violation (content)
Entity	Blacklisting on three instances of violation (channel)

#### Matrix-II:

	Preventive/curative measures
Advertisement/content	<del>                     unregistered entities/activities                      non-permitted claims                      impersonation                      frauds                 </del>

## 8. Turn-around-time (TAT) to take action

The platform should have the following policy on Turn-around-time (TAT) to take action for the violations:

Measures	Advertisement	Content/Channel//entity
<b>Preventive</b>	Before the advertisement goes live on the platform	Twenty-four hours
<b>Curative</b>	Twenty-four hours	Seventy-two hours

## 9. Disputes between the platform and entities, and the platform and SEBI

### i. Disputes between the platform and entities

For any dispute between the platform and entity on the nature of the content/advertisement, the entity or the platform may approach SEBI. View of SEBI will be final.

### ii. Disputes between the platform and SEBI

For any dispute between SEBI and the platform, the platform may approach the Hon'ble Securities Appellate Tribunal (SAT).

10. The digital platform shall be required to apply within three months after the issuance of this circular to seek recognition as a specified digital platform.
11. This circular is being issued in exercise of powers conferred under section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 16A of Securities and Exchange Board of India (Intermediaries) Regulations, 2008, Regulations 44B of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 and Regulation 82B of Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018, to protect the interests of investors in securities market and to promote the development of, and to regulate the securities market.

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