

CIRCULAR

SEBI/HO/MRD/TPD-1/P/CIR/2024/92

July 01, 2024

To

All Stock Exchanges

All Clearing Corporations

All Depositories

Sir/Madam,

Charges levied by Market Infrastructure Institutions – True to Label

1. Market Infrastructure Institutions (MIIs) being public utility institutions act as first level Regulator and are entrusted with the responsibility of providing equal, unrestricted, transparent and fair access to all market participants. The principle of equal, fair and transparent access by MIIs is highlighted in Regulation 39 (3) of Securities Contracts (Regulations) (Stock Exchange and Clearing Corporations) Regulations, 2018 and Regulation 82 of SEBI (Depositories and Participants) Regulations, 2018.
2. Upon examination of existing processes related to charges levied by MIIs on their members (i.e. stock brokers, depository participants, clearing members), it was observed that a volume based slab-wise charge structure is followed by some MIIs. These charges are levied in lieu of various services offered by MIIs and are recovered from the end clients by members. It has also been observed that members generally recover such charges from the end clients on daily basis whereas MIIs receive aggregate charges from the members on monthly basis.
3. The aforesaid process can result in a situation wherein the aggregated charges collected by the members from the end clients is higher than the end of month

charges paid to the MII (due to slab benefit). This can also result in an incorrect or misleading disclosure to the end client about the charges levied by MIIs.

4. The aforesaid matter was deliberated with the Secondary Market Advisory Committee (SMAC) of SEBI, wherein it was observed that in addition to impacting transparency, the existing slab-wise charge structure of MIIs can also create a hindrance for the MIIs in ensuring equal and fair access to all market participants by impacting level playing field between members owing to their size differentials.
5. In view of the aforesaid concerns and as per deliberations with SMAC, it has been decided that the MIIs would comply with following additional principles while designing the processes for charges levied on their members which are to be recovered from the end clients:
 - a. The MII charges which are to be recovered from the end client should be True to Label i.e. if certain MII charge is levied on the end client by members (i.e. stock brokers, depository participants, clearing members), it should be ensured by MIIs that the same amount is received by them.
 - b. The charge structure of the MII should be uniform and equal for all its members instead of slab-wise viz. dependent on volume/activity of members.
 - c. To begin with, the new charge structure designed by MIIs should give due consideration to the existing per unit charges realized by MIIs so that the end clients are benefitted with the reduction of charges.
6. Accordingly, MIIs are directed to:
 - a. Redesign the existing charge structure and associated processes to comply with the aforesaid principles;
 - b. Take necessary steps to put in place requisite infrastructure and systems for implementation of the circular, including necessary amendments to the relevant bye-laws, rules and regulations;
 - c. Bring the provisions of this circular to the notice of their members and also disseminate the same on their website; and

- d. Communicate to SEBI, the status of implementation of the provisions of this circular.
7. The circular would be effective from October 01, 2024. The 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 51 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 and Regulation 97 of Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market to protect the interests of investors in securities and to promote the development of, and to regulate the securities market

Yours faithfully,

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