

ACCEPTANCE OF PROBATE OF WILL OR WILL FOR TRANSMISSION OF SECURITIES HELD IN DEMATERIALIZED MODE¹

1. In terms of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2018, succession certificate or probate of will or will or letter of administration or court decree, as may be applicable in terms of Indian Succession Act, 1925 has been prescribed as documentary requirement for transmission of securities held in physical mode.
2. With regard to transmission of securities held in dematerialized mode, the same is dealt in terms of bye laws of the Depositories. In order to harmonize the procedures for transmission of securities in dematerialized mode with that of transmission of securities in physical mode, it has been decided that transmission of securities held in dematerialized mode shall be dealt in line with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2018.
3. Accordingly, the Depositories and Stock Exchanges are directed to:
 - a) Bring the provisions of this circular to the notice of their participants/ members, and also disseminate the same on their websites; and
 - b) Suitably amend their Bye Laws;
4. The provisions of this circular shall be applicable with immediate effect.
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 interests of investors in securities and to promote the development of, and to regulate the securities markets.

REPORTING FOR ARTIFICIAL INTELLIGENCE (AI) AND MACHINE LEARNING (ML) APPLICATIONS AND SYSTEMS OFFERED AND USED BY MARKET INTERMEDIARIES²

Background

1. There is increasing usage of AI (Artificial Intelligence) and ML (Machine Learning) as product offerings by market intermediaries and participants (e.g.: “robo advisors”) in investor and consumer facing products. SEBI is conducting a survey and creating an inventory of the AI / ML landscape in the Indian financial markets to gain an in-depth understanding of the adoption of such technologies in the markets and to ensure preparedness for any AI / ML policies that may arise in the future.
2. As most AI / ML systems are black boxes and their behavior cannot be easily quantified, it is imperative to ensure that any advertised financial benefit owing to these technologies in investor facing financial products offered by intermediaries should not constitute to misrepresentation

¹ Available at: https://www.sebi.gov.in/legal/circulars/jan-2019/acceptance-of-probate-of-will-or-will-for-transmission-of-securities-held-in-dematerialized-mode_41548.html

² Available at: https://www.sebi.gov.in/legal/circulars/jan-2019/reporting-for-artificial-intelligence-ai-and-machine-learning-ml-applications-and-systems-offered-and-used-by-market-intermediaries_41546.html

Scope & Definition

3. Any set of applications / software / programs / executable / systems (computer systems) –cumulatively called application and systems,
 - a. that are offered to investors (individuals and institutions) by market intermediaries to facilitate investing and trading,
OR
 - b. to disseminate investments strategies and advice,
OR
 - c. to carry out compliance operations / activities,where AI / ML is portrayed as a part of the public product offering or under usage for compliance or management purposes, is included in the scope of this circular. Here, “AI” / “ML” refers to the terms “Artificial Intelligence” and “Machine Learning” used as a part of the product offerings. In order to make the scope of this circular inclusive of various AI and ML technologies in use, the scope also covers Fin-Tech and Reg-Tech initiatives undertaken by market participants that involves AI and ML
4. Technologies that are considered to be categorized as AI and ML technologies in the scope of this circular, are explained in Annexure B.

Regulatory Requirements

5. All registered Stock Brokers / Depository Participant offering or using applications or systems as defined in Annexure B, should participate in the reporting process by completing the AI / ML reporting form (see Annexure A).
6. With effect from quarter ending March 2019, registered Stock Brokers / Depository Participant using AI / ML based application or system as defined in Annexure B, are required to fill in the form(Annexure A) and make submissions on quarterly basis within 15 calendar days of the expiry of the quarter.
7. StockExchanges and Depositories have to consolidate and compile a report, on AI / ML applications and systems reported by registered Stock Brokers/ Depository Participants in the reporting format (Annexure C) on quarterly basis. The said report (Annexure C) shall be submitted in soft copy only at AI_SE@sebi.gov.in (for Stock Exchange) / AI_DEP@sebi.gov.in (for Depositories)to SEBI within 30 calendar days of the expiry of the quarter, starting from quarter ending March 2019.
8. Stock Exchanges and Depositories shall;
 - a) Make necessary amendments to the relevant byelaws, rules and regulations for the implementation of the above direction;
 - b) Bring the provisions of this circular to the notice of their members/participants and also disseminate the same on their websites; and
 - c) Communicate to SEBI, the status of implementation of the provisions of this circular in their Monthly Development Report.
9. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Annexure A, Annexure B and Annexure C are available at:
https://www.sebi.gov.in/legal/circulars/jan-2019/reporting-for-artificial-intelligence-ai-and-machine-learning-ml-applications-and-systems-offered-and-used-by-market-intermediaries_41546.html

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