



भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

GENERAL MANAGER
INVESTMENT MANAGEMENT DEPARTMENT
DIVISION OF FUNDS-1

SEBI/HO/IMD/DF1/00551/1
January 05, 2021 2022

HDFC Securities Limited
I Think Techno Campus, Building-B.
"Alpha", Office floor 8, Near Kanjurmarg Station,
Opp. Crompton Greaves, Kanjurmarg (East)
Mumbai 400 042

Dear Sir,

Sub: Request for interpretative letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 regarding clarification on applicability of provisions of SEBI (Research Analyst) Regulations 2014 by HDFC Securities Limited.

1. This has reference to your letter dated October 29, 2021 and subsequent communication including ensuing emails seeking an interpretative letter under the SEBI (Informal Guidance) Scheme, 2003 (the "Scheme").

2. In your letters and subsequent emails under reference you have, *inter alia*, represented as follows:

HSL is registered as a stock broker as well as RRA with proper segregation of activities.

2.1. As per Chapter III Regulation 16 (2) of SEBI RA "Independent research analysts, individuals employed as research analyst by research entity or their associates shall not deal or trade in securities that the research analyst recommends or follows within thirty days before and five days after the publication of a research report".

3. In the view of above, HSL restricts the respective research analyst thirty days before and five days after the publication of a research report in the securities which the respective research analyst recommends. Furthermore, HSL also restricts the head of research in the respective security five days after the publication of such research report.

4. Roles and responsibilities:

4.1. Research Analyst:

- Key responsibility is to provide unbiased and data driven research on sector and coverage companies to Institutional clients. Role involves meeting

सेबी भवन, प्लॉट सं. सी 4-ए, 'जी' ब्लॉक, बान्द्रा कुर्ला कॉम्प्लेक्स, बान्द्रा (पूर्व), मुंबई - 400 051. • दूरभाष: 2644 9000 • फैक्स: 2644 9019 to 2644 9022

वेब : www.sebi.gov.in

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051. • Tel.: 2644 9000 • Fax: 2644 9019 to 2644 9022
Web: www.sebi.gov.in



corporates and industry experts, understanding business strategy and financials, preparing financial models and writing research notes, providing stock recommendations and marketing the key ideas to clients in order to generate client votes.

- Also to track various sectors and stocks, prepare fundamental and technical research reports and issue calls, feed actionable ideas to dealers and respond to dealers queries

4.2. HOD:

- Key responsibility is to ensure consistency of research product across sector and improve breadth and depth of research team coverage. Role involves mentoring junior analysts on doing sector research, expanding stock coverage, hiring and retaining talent, delivering a strategy product, identifying key themes and writing thematic research at a team level.
- Market strategy, research coverage, mentor and facilitate/ guide team members, review work of analysts and media interaction.
- HOD will only assist the research analyst by reviewing/approving the work done by the analysts and support them in research.
- The Key responsibilities includes the following:
 - Mentor & facilitate team members
 - Tactical view on markets,
 - Review work of analysts,
 - Provide research support,
 - Provide content for website/media

5. In view of the above, you have sought an interpretive letter under the Scheme from SEBI on the following:

5.1. Whether your understanding as mentioned at para 3 is in line with Regulation 16 (2) and (3) of the SEBI (Research Analysts) Regulations 2014 (the "RA Regulations").

6. The submissions made in your letter and email have been considered. Without necessarily agreeing with your analysis, our response on the queries raised in your communications are as under:



6.1. In terms of queries raised in para 3 the following is informed:

- a) Regulation 16(2) and 16(3) of the SEBI (Research Analysts) Regulations, 2014 states as under-

"Limitations on trading by research analysts.

16(2) Independent research analysts, individuals employed as research analyst by research entity or their associates shall not deal or trade in securities that the research analyst recommends or follows within thirty days before and five days after the publication of a research report.

16(3) Independent research analysts, individuals employed as research analysts by research entity or their associates shall not deal or trade directly or indirectly in securities that he reviews in a manner contrary to his given recommendation."

- b) Regulation 2(u) of the RA Regulations states as under -

"Research analyst" means a person who is primarily responsible for,

i) Preparation or publication of the content of the research report; or

ii) Providing research report; or

iii) Making 'buy/sell/hold' recommendation; or

iv) Giving price target; or

v) Offering an opinion concerning public offer,

with respect to securities that are listed or to be listed in a stock exchange, whether or not any such person has the job title of 'research analyst' and includes any other entities engaged in issuance of research report or research analysis."

- c) In terms of the extant regulatory framework, 'research analyst' includes any person or entity who is engaged or responsible for preparation and issuance of research report or carrying out research analysis, whether or not such person has been assigned the job title of a research analyst. Further, all persons or entities identified as research analyst or employed as research analyst by the research entity are required to not deal or trade in securities that the research analyst has recommended or follows, within thirty days before and five days after the publication of research report.

- d) As submitted by you, the key responsibilities of your research team include providing unbiased fundamental and technical research reports and providing



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stock recommendations. Further, as submitted by you, the head of research is *inter-alia*, responsible for assisting the research analysts by mentoring junior analysts, ensuring consistency of research product, and reviewing/approving the work done by the analysts. Thus, it is understood from the submissions made that your head of research is also engaged in preparation of the content and issuance of the research report and hence falls under the above definition of a research analyst and consequently is required to comply with the provisions of the RA Regulations including regulation 16(2).

- e) On the basis of submission made by you, persons employed or identified by the research entity as research analyst including its head of research are required to be in compliance of the limitation on trading as stipulated under the RA Regulations.
7. This above position is based on the information furnished in your letters under reference. Different facts or conditions might lead to different interpretation. Further this letter does not express decision of the Board on the questions referred.
8. You may note that the above views are expressed only with respect to the clarification sought in your letters under reference with respect to the Circulars issued under the RA Regulations and do not affect the applicability of any other law and requirements of any other SEBI Regulations, guidelines and circulars administered by the SEBI or of the laws administered by any other authority.

Yours faithfully,


Manaswini Mahapatra