

Sebi aims to tighten grip on research analysts.

[Research analysts](#) will soon have to obtain a certificate from the capital market regulator to continue giving opinions and recommendations on listed companies. The Securities and Exchange Board of India ([Sebi](#)) on Friday issued draft Research Analysts Regulations, 2013, which mandated all research analysts to obtain a certificate of registration, have right education qualification and also a minimum net worth.

Sebi has proposed research analysts, which are corporate bodies, will have to have a maintain net worth of at least Rs 0.5 crore, while individual or partnership firms will have to have net tangible assets of Rs 500,000.

The certificate will be valid for five years. Research firms incorporated outside India will have to set up a subsidiary in India and register it with Sebi.

Sebi has exempted investment advisers, asset management companies, proxy advisory service providers and fund managers. However, if these entities provide their views through the public media, they will have to follow the processes regarding conflict avoidance and disclosures.

The regulator has said the regulations were aimed at ensuring independent and unbiased opinions.

“...advice from investment analysts is many times prone to conflicts of interest that may prevent them from offering independent and unbiased opinions. Since the prime objective is to protect investors and enhance confidence in the market, it is a major concern of regulatory authorities to identify and deal with conflicts of interest arising from the production and dissemination of research reports,” Sebi said in the discussion paper.

The new regulations will also see curbs on research analysts when it comes to dealing in securities they are recommending. Sebi has said analysts or a brokerage will not deal in shares of companies a month before and five days after publishing of a research reports. Also, analysts will be barred from publishing or recommending a security if they are traded in the previous 30 days.

Sebi has also said the compensation or bonuses of an analysts should not be tied to the any specific investment banking or [brokerage transactions](#). The regulations also bar an analysts or a brokerage from issuing research reports or making public appearances on companies where they act as investment bankers in IPOs or FPOs.

The proposed regulations also bar distribution of research reports to a selective clients in advance. Also, analysts distributing third-party reports can do so only after ensuring their accuracy.

“These draft regulations set forth requirements to foster objectivity and transparency in security research and provide investors with more reliable and useful information to make investment decisions,” Sebi said.

Sebi has invited comments and suggestions on the draft regulations till December 21, 2013.

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