

SEBI

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SECURITIES LAWS

SEBI Codes relating to advertisements and branding by registered Investment Advisers and Research Analysts

Background

Persons engaged in the activity of acting as investment advisers or research analysts (the Intermediaries) need to obtain prior registration from the Securities and Exchange Board of India to act as such under the respective regulations applicable to them. The Regulations make detailed provisions with regard to the manner in which they will conduct their activities and in particular lay down Code of Conduct. Recently, on 5th May 2023 and 6th May 2023, SEBI issued detailed codes relating to advertising and relating to usage brand or trade names respectively by these intermediaries. These Codes aim at laying down certain ground rules relating to such practices, in the interests of securities markets.

Code relating advertisement

The Intermediaries often advertise about themselves and the services they render to seek clients. There is no ban on such advertisements. However, SEBI may have found numerous practices which may not be conducive to healthy capital markets. To prevent these, SEBI has issued detailed requirements for such advertisements. Some of important of such requirements are highlighted below.

The term 'advertisement' has been defined in detail, in an inclusive manner. All forms of communications to investors or prospective investors are covered. The communication may be in any form whether pamphlets, literature, in newspapers or magazines, etc. They may be digital or analog and thus emails, text and other messaging, social media, telephone, etc. are all specifically covered. The range is thus quite wide.

The Guidelines provide for eight things that shall be included in such advertisements and fourteen things that are prohibited. There are six other compliance requirements.

The name of the Intermediary, their registered office address, their SEBI registration number etc. would have to be included in such advertisements.

A specific warning, whose exact wording has been given ("Investment in securities market are subject to market risks. Read all the related documents carefully before investing."), has to be included without any change. If the advertisement is in audio visual media, the warning has to be included in visual and voice over reiteration which should run for at least 10 seconds.

However, in certain specified modes of communication, the Code permits giving such details, warning, etc. by way of a link to a website page where such details are given.

Misleading, false, etc. statements are prohibited. In particular, promises of risk free or assured returns are not permitted.

Investment Advisers/Research Analysts may advisably study this code in detail and apply in their advertisements in all forms covered thereunder.

Code relating to Brand name/trade name usage

The Code for brand/trade names appears to have arisen mainly due to perceived misuse of such brand names, symbols, etc. instead of statutory information. Hence, certain basic guidelines have been laid down for use of brand/trade names by the Intermediaries.

Firstly, the name of the Intermediary as registered with SEBI, its logo, its registration number allotted by SEBI and its complete address with telephone numbers shall be prominently displayed in websites, notice board, advertisements, etc. This information has to be even included in client agreement and client KYC forms.

Further, apart from the above, the prescribed details of the grievance officer should be displayed prominently in statements, reports or any correspondence with clients.

A disclaimer worded as follows should be mentioned at various places as specified:

"Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors"

Finally, it is specified that the SEBI logo shall not be used by the Intermediaries.

Conclusion

Advertisements and communications have become easy and cheap these days and hence aggressively used by Intermediaries. These ground rules would go a long way in ensuring that at least to a reasonable extent, there is no abuse and clients are not misled and defrauded.