PERMISSIONS & REGISTRATIONS (IN INDIA)

1.SEBI Registration

SEBI as an Investment Adviser (IA):

- Required if the app offers **personalized investment advice** (like recommending mutual funds, stocks, SIPs, etc.).
- Apply under **SEBI (Investment Advisers) Regulations, 2013**
- **Requirements**:
    - Company registered under **Companies Act**
    - Qualified personnel (like CFP, CFA, MBA-Finance, NISM IA Level 1 & 2 certified)
    - Net worth: **₹50 lakh for corporate IAs**
    - Compliance officer if you're a body corporate

      Link - **https://www.sebi.gov.in/legal/circulars/jan-2025/guidelines-for-investment-advisers_90632.html**

SEBI Portfolio Manager (PMS) *(If you're managing funds directly)*

- Needed if your app manages client money or executes trades on behalf of them.
- Higher capital requirement: **₹5 crore net worth**
- Strong compliance infrastructure required.

2. RBI Permissions

If the app integrates with:

- **Wallets**
- **UPI / bank accounts**
- **Mutual fund transactions**

We might need:

- **PPI License** (Prepaid Payment Instruments)
- **Payment Aggregator / Gateway License**
- NBFC registration (For lending)

Otherwise we can **partner with licensed payment gateways** like Razorpay, Cashfree, or Setu to simplify things.

3. AMFI Registration

We need:

- ARN (AMFI Registration Number) from AMFI
- Pass NISM VA Certification
- Register as a mutual fund distributor

This is useful if our app monetizes via **trail commission** rather than advisory fee.

4. KYC & AML Compliance

Integrate with KYC registration agencies (KRAs) like:

- CAMS
- Karvy
- NDML

Follow SEBI's KYC norms and PMLA (Prevention of Money Laundering Act)

(Most startups use APIs from Digio, Signzy, IDfy, etc. for paperless KYC.)

5. Data Privacy & Security

Comply with the **Digital Personal Data Protection (DPDP) Act, 2023**

End-to-end encryption

Clear **user consent** mechanisms

Transparent use of **AI algorithms**

Privacy policy & disclosures on how user data is used, especially for AI decision-making.

6. Legal Disclaimers & Terms

Must include:

- "Investments in securities are subject to market risks…"
- Transparency about how AI works and its limitations
- Whether advice is **personalized or generic**
- A **disclaimer** that AI recommendations are not guaranteed

Ways to Start

Launch in Partnership with:

- A **SEBI-registered RIA** (white-label or API-based)
- A **licensed payment aggregator**
- An **AMC (mutual fund house)** for fund access

Test via Regulatory Sandbox:

- RBI, SEBI, and IRDAI have **sandbox programs** for fintechs to test innovative solutions under relaxed norms.

Launch Strategy

Design a **compliance roadmap**

Draft **disclaimers, privacy policy**

Suggest **tech-stack & KYC tools**

Connect with potential **regulatory partners (B2B APIs)**

Additional Regulatory Requirements

Stock Exchange Specific Requirements

- **NSE/BSE Interface Approvals**
  - API connectivity permissions from stock exchanges
  - Compliance with exchange-specific technical requirements
  - Exchange-mandated security protocols

Credit Information Permissions

- **Credit Information Company (CIC) Membership**
  - Required for accessing credit scores or reports
  - Registration with credit bureaus like CIBIL, Experian, etc.
  - Data usage and sharing agreements

Alternative Investment Offerings

- **AIF (Alternative Investment Fund) Distribution Registration**
  - Required if offering alternative investments
  - Compliance with SEBI's AIF regulations

Tax-Related Requirements

- **Tax Collection at Source (TCS) Registration**
  - For platforms facilitating certain types of investments
  - Compliance with Income Tax Department requirements

Wealth Management Specific

- **NISM (National Institute of Securities Markets) Certifications**
  - For key employees providing investment services
  - Various modules required based on specific functions

Authentication & Identity

- **UIDAI Authentication User Agency License**
  - For direct Aadhaar-based authentication
  - Strict security and audit requirements

Additional Operational Licenses

- **Shop and Establishment License**
  - Local municipal requirement for business operations
  - State-specific requirements may vary
- **Professional Tax Registration**
  - Required in most states for service businesses
  - Varies by state regulation

Government Interfaces

- **DigiLocker Integration Approval**
  - For accessing official documents electronically
  - API access permissions from National e-Governance Division

AI-Specific (Emerging Requirements)

- **Responsible AI Certification**
  - While not yet mandatory, industry certifications for AI ethics
  - Self-certification mechanisms for algorithm fairness
- **AI Audit Documentation**
  - Preparation for potential AI audit requirements
  - Documentation of training data and decision models

INSURANCE POLICY

1. Protection Built into the Platform (Default for Every User)

Investor Protection Fund (IPF) — via Stock Exchanges

- If our app is a registered intermediary (like a broker via NSE/BSE), users are protected under **SEBI's IPF rules.**
- Covers losses in case the brokerage or partner entity defaults.
- **Payout limit is around ₹15 lakh** (may vary slightly by exchange).

Account Protection (Cyber & Fraud Insurance)

- The app should have a corporate cyber insurance policy covering:
  - **Data breaches**
  - **Unauthorized account access**
  - **Transaction fraud**
- We can negotiate a policy that automatically **protects every user's account up to a certain limit** (say ₹5 lakh or ₹10 lakh per user).

Custodian Safeguards

- User assets (stocks, mutual funds) should be held with licensed custodians (e.g., NSDL, CDSL) — *not* directly on our balance sheet.
- This is a form of **"protection"** because even if our app shuts down, the users' investments are safe.

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2. Optional / Add-on Insurance Products (Extra for the User)

Portfolio Protection Insurance (New Concept in India)

- Offer optional plans that hedge against major market crashes.

Life Insurance / Term Plans (Wealth-linked)

- Cross-sell simple life insurance that matches investment goals (e.g., financial protection for family if something happens to the user).

Health / Income Protection Insurance

- Targeted at investors planning for retirement or specific financial goals.

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3. Legal & Regulatory Must-Dos in India

Comply with **SEBI** (Securities and Exchange Board of India) guidelines:

- Register as an Investment Advisor (RIA) or Portfolio Manager (PMS) if offering direct advisory services.(Future Perspective)
- Full risk disclosure is mandatory (especially because AI is involved).

IRDAI rules if selling insurance:

- If our app sells insurance, we must partner with an IRDAI-licensed broker or become a Corporate Agent.(Future Perspective)

Data Privacy Compliance:

- Follow India's Digital Personal Data Protection Act (DPDP Act) for user data handling.

1. Type of Insurance via Bank

Banks in India offer **Group Insurance Policies**.
We(the app company) would partner with a bank and arrange **group coverages** for our users.

Common options:

Insurance Type	How It Works for our Users
Cyber Insurance	Covers fraud, hacking, unauthorized transactions on your app.
Personal Accident Cover	Gives accident insurance to users (good for "financial wellness" branding).
Life Insurance (Micro-Term Plan)	Offers basic life insurance to every active user. Affordable at scale.
Investment Loss Protection	(Innovative) Provide partial protection for specific types of loss (e.g., fraud-related loss, not market loss).

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2. How We Can Structure It

Tie-up with a Bank + Insurance Company

- Most major banks have partnerships with IRDAI-approved insurance companies (like SBI General, ICICI Lombard, HDFC Life, etc.).
- You negotiate a **Group Insurance Policy**.
- The bank or insurance company covers all KYC, policy issuance, claim handling.

Policy Paid By Us(App Company)

- Premiums are bundled into our customer acquisition cost (CAC).
- OR charged to the user as a small monthly/annual subscription ("Rs 49/month wealth protection plan").

Automatic Enrollment

- Every user who signs up and completes KYC on our app is automatically enrolled.
- **They get a** Policy Certificate **digitally inside the app.**

Claim Process

- Claims can either be made through our app **(API integration with insurer)** or through the insurer's normal channels.

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3. Regulatory Points

Item	Rule
IRDAI Regulations	Group insurance must have clear disclosures. Cannot force-sell. Users must have option to opt-out.
SEBI Compliance	App must clearly state that insurance does not cover investment risks (market-linked losses).
RBI Guidelines (if partnering with Bank)	Ensure no misuse of banking license or cross-sell aggressively without consent.