

SECURITIES AND EXCHANGE BOARD OF INDIA (STOCKBROKERS AND SUB-BROKERS) REGULATIONS, 1992

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SECURITIES AND EXCHANGE BOARD OF INDIA (STOCKBROKERS AND SUB-BROKERS) REGULATIONS, 1992

In exercise of the powers conferred by Section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) the Board hereby, with the previous approval of the Central Government makes the following regulations, namely:-

CHAPTER 1

Preliminary

1. Short title and commencement :-

(1) These regulations may be called the Securities and Exchange Board of India (Stockbrokers and Sub-brokers) Regulations, 1992.

(2) These regulations shall come into force on the date of their publication in the Official Gazette.

2. Definitions :-

In these regulations, unless the context otherwise requires:-

²(a) "Act" means the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(aa) "certificate" means a certificate of registration issued by the Board;

(ab). "change of status or constitution" in relation to a stock broker or a sub-broker means any change in its status or constitution of whatsoever nature and includes

(i) in case of a body corporate

(A) amalgamation, demerger, consolidation or any other kind of corporate restructuring falling within the scope of Sec. 391 of the Companies Act, 1956 (1 of 1956) or the corresponding provision of any other law for the time being in force;

(B) change in its managing director, whole-time director or director appointed in compliance with clause (v) of sub-rule (4A) of Rule 8 of the Securities Contracts (Regulation) Rules, 1957; and

(C) any change in control over the body corporate;

(ii) any change between the following legal forms individual, partnership firm, Hindu undivided family, private company, public company, unlimited company or statutory corporation and other similar changes;

(iii) in case of a partnership firm any change in partners not amounting to dissolution of the firm;

(ac) "change in control", in relation to a stock broker or a sub-broker being a body corporate, means:

(i) if its shares are listed on any recognised stock exchange, change in control within the meaning of Regulation 12 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997;

(ii) in any other case, change in the controlling interest in the body corporate;

Explanation. For the purpose of sub-clause (ii), the expression "controlling interest" means an interest, whether direct or indirect, to the extent of at least fifty one percent, of voting rights in the body corporate;"

23(ad)"clearing corporation or clearing house" means the clearing corporation or clearing house of a recognised stock exchange to clear and settle trades in securities.

4(a e) "clearing members" means a member of a clearing corporation or clearing house of the derivatives exchange or derivatives segment of an exchange, who may clear and settle transactions in securities.

5(aaa)"enquiry officer" means any officer of the Board, or any other person, having experience in dealing with the problems relating to the securities market, who is appointed by the Board under Chapter VI;"

(b) "foirn" means a form specified in Schedule I;

(c) "inspecting authority" means one or more persons appointed by the Board to exercise powers conferred under Chapter V of these regulations;

(d) "regulations" means Securities and Exchange Board of India (Stockbrokers and Sub-brokers) Regulations, 1992;

6(e) [* * *]

(f) "Securities Contracts (Regulation) Act" means the Securities Contracts (Regulation) Act, 1956 (42 of 1956) ;

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(fa) self-clearing member' means a member of a clearing corporation or clearing house of the derivatives exchange or derivatives segment of a stock exchange who may clear and settle transactions on its own account or on account of its clients only, and shall not clear or settle transactions in securities for any other trading member(s).

(g) "small investor" means any investor buying or selling securities on a cash transaction for a market value not exceeding rupees fifty thousand in aggregate on any day as shown in a contract note issued by the stockbroker.

8(ga) "stock exchange" means a stock exchange which is for the time being recognised by the Central Government or by the Board under Sec. 4 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);

(gb) "stock broker" means a member of a stock exchange;

(gc) "sub-broker" means any person not being a member of stock exchange who acts on behalf of a stock broker as an agent or otherwise for assisting the investors in buying, selling or dealing in securities through such stock brokers;

910(gd) "trading member" means a member of the derivatives exchange or derivatives segment of a stock exchange and who settles the trade in the clearing corporation or clearing house through a clearing member.

(h) All other words and expressions occurring in these regulations shall bear the same meaning as in the Act **11** [***].

In the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992, in Regulation 2, before clause (ad) the following clauses shall be inserted, namely: "(a) "Act" means the Securities and Exchange Board of India Act, 1992 (15 of 1992); (aa) "certificate" means a certificate of registration issued by the Board; (ab). "change of status or constitution" in relation to a stock broker or a sub-broker means any change in its status or constitution of whatsoever nature and includes (i) in case of a body corporate (A) amalgamation, demerger, consolidation or any other kind of corporate restructuring falling within the scope of Sec. 391 of the Companies Act, 1956 (1 of 1956) or the corresponding provision of any other law for the time being in force; (B) change in its managing director, whole-time director or director appointed in compliance with clause (v) of sub-rule (4A) of Rule 8 of the Securities Contracts (Regulation) Rules, 1957; and (C) any change in control over the body corporate; (ii) any change between the following legal forms individual, partnership firm, Hindu undivided family, private company, public company, unlimited company or statutory corporation and other similar changes; (iii) in case of a partnership firm any change in partners not amounting to dissolution of the firm; (ac) "change in control", in relation to a stock broker or a sub-broker being a body corporate, means: (i) if its shares are listed on any recognised stock exchange, change in control within the meaning of Regulation 12 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997; (ii) in any other case, change in the controlling interest in the body corporate; Explanation. For the purpose of sub-clause (ii), the expression "controlling interest"

means an interest, whether direct or indirect, to the extent of at least fifty one percent, of voting rights in the body corporate;" by the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) (Second Amendment) Regulations, 2006.

In the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992, in Regulation 2, clause (a) shall be renumbered as clause (ad) by the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) (Second Amendment) Regulations, 2006.

In the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992, in Regulation 2, clause (aa) shall be renumbered as clause (ae) by the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) (Second Amendment) Regulations, 2006.

Substituted by the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2000

In the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992, in Regulation 2, clause (e) shall be omitted, as follows:- "(e) "rules" means Securities and Exchange Board of India (Stock-brokers and Sub-brokers) Rules, 1992;" by the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) (Second Amendment) Regulations, 2006.

In regulation 2, after clause (f), clause (fa) shall be inserted; by Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2001. [Noti. No. F.No. SEBI/LE/40162/2001, dated. 15/11/2001, Gaz. of India, Exty., Part.II, Sec. 3(ii), No. 832, dated. 15/11/2001, page.5.

In the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992, in Regulation 2, before the clause (gd) the following clauses shall be inserted, namely: "(ga) "stock exchange" means a stock exchange which is for the time being recognised by the Central Government or by the Board under Sec. 4 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956); (gb) "stock broker" means a member of a stock exchange; (gc) "sub-broker" means any person not being a member of stock exchange who acts on behalf of a stock broker as an agent or otherwise for assisting the investors in buying, selling or dealing in securities through such stock brokers;" by the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) (Second Amendment) Regulations, 2006.

Inserted for "Clause (ga)" by the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2000

In the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992, in Regulation 2, clause (ga) shall be renumbered as clause (gd), by the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) (Second Amendment) Regulations, 2006.

In the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992, in Regulation 2, in clause (h), the

words "and the rules" occurring in the end shall be omitted , by the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) (Second Amendment) Regulations, 2006.

CHAPTER 2

Registration of Stockbrokers

3. Application for registration of stockbroker :-

(1) An application by a stockbroker for grant of a certificate shall be made in Form A through the stock exchange or stock exchanges, as the case may be, of which he is admitted as a member.

(2) The stock exchange shall forward the application form to the Board as early as possible but not later than thirty days from the date of its receipts.

(3) Notwithstanding anything contained in sub-regulation (1), any application made by a stock-broker prior to coming into force of these regulations containing such particulars or as near thereto as mentioned in the Form A shall be treated as an application made in pursuance of sub-regulation (1) and dealt with accordingly: Provided that the requirement of the payment of fees shall be the same as is referred to in sub-regulation (1) of Regulation 10.

4. Furnishing of information clarification etc :-

(1) The Board may require the applicant to furnish such further information or clarifications., regarding the dealings in securities and matters connected thereto to consider the application for grant of a certificate.

(2) The applicant or, its principal officer shall, if so required, appear before the Board for personal representation.

5. Consideration of application :-

The Board shall take into account for considering the grant of a certificate all matters relating to buying, selling, or dealing in securities and in particular the following, namely, whether the stockbroker-

(a) is eligible to be admitted as a member of a stock exchange;

(b) has the necessary infrastructure like adequate office space equipments and manpower to effectively discharge his activities;

(c) has any past experience in the business of buying, selling or dealing in securities;

(d) is subjected to disciplinary proceedings under the rules, regulations and bye-laws of a stock exchange with respect to his business as a stockbroker involving either himself or any of his partners, directors or employees.

(e) is a fit and proper person.

6. Procedure for registration :-

The Board on being satisfied that the stockbroker is eligible, shall grant a certificate in Form D to the stock-broker and send an intimation to that effect to the stock exchange or stock exchanges as the case may be,

7. Stockbrokers to abide by Code of Conduct :-

The stockbroker holding a certificate shall at all times abide by the Code of Conduct as specified in Schedule II.

8. Procedure where registration is not granted :-

(1) Where an application for grant of a certificate under Regulation 3, does not fulfil the requirements mentioned in Regulation 5) the Board may reject the application after giving a reasonable opportunity of being heard.

(2) The refusal to grant the registration certificate shall be communicated by the Board within thirty days of such refusal to the concerned stock exchange and to the applicant stating therein the grounds on which the application has been rejected.

(3) An applicant may, being aggrieved by the decision of the Board under sub-regulation (2) apply within a period of thirty days from the date of receipt of such intimation, to the Board for reconsideration of its decision.

(4) The Board shall reconsider an application made under sub-regulation (3) and communicate its decision as soon as possible in writing to the applicant and to the concerned stock-exchange.

9. Effect of refusal of certificate of registration :-

A stockbroker, whose application for grant of a certificate has been refused by the Board, shall not, on and from the date of the receipt of the communication under the sub-regulation (2) of Regulation 8 buy, sell, or deal securities as a stock-broker.

10. Payment of fees and the consequences of failure to pay fees :-

(1) Every applicant eligible for grant of a certificate shall pay such fees and in such manner as specified in Schedule III : Provided that the Board may on sufficient cause being shown permit the stockbroker to pay such fees at any time before the expiry of six months from the date on which such fees become due.

(2) Where a stockbroker fails to pay the fees as provided in Regulation 10, the Board may suspend the registration certificate whereupon the stockbroker shall cease to buy, sell or deal in securities as a stockbroker.

CHAPTER 3

Registration of Sub-brokers

11. Application for registration of sub-broker :-

(1) An application by a sub-broker for the grant of a certificate shall be made in Form B.

(2) The application for registration under sub-regulation (1) above, shall be accompanied by a recommendation letter in Form G from a stock-broker of a recognised stock exchange with whom he is to be affiliated along with two references including one from his banker.

(3) The application form shall be submitted to the stock exchange of which the stockbroker with whom he is to be affiliated is a member.

(4) The stock exchange on receipt of an application under sub-regulation (3) shall verify the information contained therein and shall also certify that the applicant is eligible for registration as per criteria specified in sub-regulation (5).

(5) The eligibility criteria for registration as a sub-broker shall be as follows namely :-

(i) in the case of an individual-

(a) the applicant is not less than 21 years of age ;

(b) the applicant has not been convicted of any offence involving fraud or dishonesty;

(c) the applicant has at least passed 12th standard equivalent examination from an institution recognised by the Government : Provided that the Board may relax the educational qualifications on merits having regard to the applicant's experience.

(d) the applicant is a fit and proper person.

(ii) in the case of partnership firm or a body corporate the partners or directors, as the case may be, shall comply with the requirements contained in clauses (a) to (c) of sub-regulation (i).

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(iii) The applicant has the necessary infrastructure like adequate office space, equipment and manpower to effectively discharge his activities.

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(iv) the applicant shall be a person recognized by the stock exchange as a sub-broker affiliated to a member broker of the stock exchange.

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(6) The stock exchange shall forward the application in Form 'B' of such applicant alongwith the recommendation letter in Form 'C' issued by the stock broker with whom he is affiliated and also the recognition letter in Form 'CA' issued by the stock exchange to the Board within 30 days from the date of the receipt of the application.

1. INSERTED BY THE Securities and Exchange Board of India (Stock Brokers And Sub-Brokers) (Amendment) Regulations, 2003 [Noti. No. F. No. SEBI/LE/17901/2003, dt. 23.9.2003 Gaz. of India, Exty., Pt. II-Sec. 3(ii), No. 873, dt. 23.9.2003, p. 7.]

3. SUBSTITUTED BY THE Securities and Exchange Board of India (Stock Brokers And Sub-Brokers) (Amendment) Regulations, 2003 [Noti. No. F. No. SEBI/LE/17901/2003, dt. 23.9.2003 Gaz. of India, Exty., Pt. II-Sec. 3(ii), No. 873, dt. 23.9.2003, p. 7.]

12. Procedure for registration :-

(1) The Board on being satisfied that the sub-broker is eligible, shall grant a certificate in Form E to the sub-broker and send an intimation to that effect to the stock exchange or stock exchanges as the case may be.

(2) The Board may grant a certificate of registration to the applicant subject to the terms and conditions ¹⁹ "laid down in sub-regulation (1) of Regulation 12-A" .

In the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992, in Regulation 12, in sub-regulation (2), for the words and figure "as stated in Rule 5" occurring at the

end, the words, brackets and figures "laid down in sub- regulation (1) of Regulation 12-A" shall be substituted, by the Securities and Exchange Board of India (Stock Brokers and Sub-brokers)(Second Amendment) Regulations, 2006.

13. Procedure where registration is not granted :-

(1) Where an application for grant of a certificate under ¹Regulation 11A, does not fulfil the requirements mentioned in ²² Regulation 11A, the Board may reject the application after giving a reasonable opportunity of being heard.

(2) The refusal to grant the certificate shall be communicated by the Board within thirty days of such refuse to the concerned stock exchange and to the applicant in writing stating therein the grounds on which the appli- cation has been rejected.

(3) An applicant may being aggrieved by the decision of the Board under sub-regulation (2) may within a period of thirty days from the date of receipt of such intimation, apply to the Board for reconsideration of its decision.

(4) The Board shall reconsider an application made under sub-regulation (3) and communicate its decision as soon as possible in writing to the applicant and to the concerned stock exchange.

In the Securities and Exchange Board of India(Stock Brokers and Sub-brokers) Regulations, 1992, in Regulation 13, for the words and figures "Regulation 11" ,the words and figures "Regulation 11-A" shall be substituted, by the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) (Second Amendment) Regulations, 2006.

14. Effect of refusal :-

A person whose application for grant of a certificate has been refused by the Board shall, on and from the date of the communication of refusal under Regulation 13, cease to carry on any activity as a sub-broker.

15. General Obligations and inspection :-

(1) Tliesub-brokers shall-

(a) pay the fees as specified in Schedule III ;

(b) abide by the Code of Conduct specified in Schedule II ;

(c) enter into an agreement with the stockbroker for specifying the scope of his authority and responsibilities.

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(d) comply with the rules, regulations and bye-laws of the stock exchange,

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(e) not be affiliated to more than one stock broker of one stock exchange.

(2) The sub-broker shall keep and maintain the books) and documents specified in Regulation 17 except for the books and documents referred to in clauses (h), (i), (j) and (m) of sub-regulation (1) of Regulation 17.

1. INSERTED BY THE Securities and Exchange Board of India (Stock Brokers And Sub-Brokers) (Amendment) Regulations, 2003 [Noti. No. F. No. SEBI/LE/17901/2003, dt. 23.9.2003 Gaz. of India, Exty., Pt. II-Sec. 3(ii), No. 873, dt. 23.9.2003, p. 7.]

15A. Director not to act as sub-broker :-

1 .No director of a stock broker shall act as a sub broker to the same stock broker.

1. INSERTED BY THE Securities and Exchange Board of India (Stock Brokers And Sub-Brokers) (Amendment) Regulations, 2003 [Noti. No. F. No. SEBI/LE/17901/2003, dt. 23.9.2003 Gaz. of India, Exty., Pt. II-Sec. 3(ii), No. 873, dt. 23.9.2003, p. 7.]

16. Application of Chapters IV, V and VI :-

The provisions of Chapters IV, V and VI of these regulations shall apply to a sub-broker as they apply in case of a stockbroker.

CHAPTER 3A

REGISTRATION OF TRADING AND CLEARING MEMBERS

16A. Application for registration of Trading member or Clearing member :-

(1) An application for grant of certificate of registration by a trading member of a derivatives exchange or derivatives segment of a stock exchange shall be made in Form AA of Schedule -1, through the concerned derivatives exchange or derivative segment of stock exchange of which he is a member.

(2) An application for grant of certificate of registration by a clearing member ¹["or self-clearing member"] of the clearing corporation or clearing house of a derivatives exchange or derivatives segment of a stock exchange, shall be made in Form AA

of Schedule I, through the concerned clearing corporation or clearing house of which he is a member. Provided that a trading member who also seeks to act as a clearing member ² ["or self-clearing member"] shall make separate application for each activity in Form AA of Schedule I.

(3) The derivatives exchange or segment or clearing house or corporation as the case may be shall forward the application to the Board as early as possible but not later than thirty days from the date of its receipt.

1. In regulation 16A, after the words "clearing member" the words shall be inserted; by Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2001. [Noti. No. F.No. SEBI/LE/40162/2001, dated.15/11/2001, Gaz. of India, Exty., Part.II, Sec. 3(ii), No. 832, dated. 15/11/2001, page.5.

2. In regulation 16A, in proviso after the words "clearing member" the words shall be inserted; by Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2001. [Noti. No. F.No. SEBI/LE/40162/2001, dated.15/11/2001, Gaz. of India, Exty., Part.II, Sec. 3(ii), No. 832, dated. 15/11/2001, page.5.

16B. Furnishing of Information, Clarification, etc. :-

(1) The Board may require the applicant or the concerned stock exchange or segment or clearing house or corporation to furnish such other information or clarifications, regarding the trading and settlement in derivatives and matters connected thereto, to consider the application for grant of a certificate.

(2) The application or its principal officer shall, if so required, appear before the Board for personal representation.

16C. Consideration of Application :-

(1)The Board shall take into account for considering the grant of a certificate all matters relating to dealing and settlement in derivatives and in particular the following, namely, whether the applicant

(a) is eligible to be admitted as a trading member of a derivative exchange and/or a clearing member of a derivatives exchange or derivatives segment of a stock exchange or clearing corporation or house;

(b) has the necessary infrastructure like adequate office place, equipments and manpower to effectively undertake his activities;

(c) is subjected to disciplinary proceedings under the rules, regulations and bye-laws of any stock exchange with respect to his business as a stock broker or member of derivatives exchange or segment or member of clearing house or corporation involving either himself or any of his partners, directors or employees.

"(d)¹ has any financial liability which is due and payable to the Board under these Regulations."

(2) An applicant who desires to act as a trading member, in addition to complying with the requirements of sub-regulation (1), shall have a net-worth as may be specified by the derivative exchange or segment from time to time and the approved user and sales personnel of the trading member have passed a certification programme approved by the Board;

(3) An applicant who desires to act as a clearing member, in addition to complying with the requirements of sub-regulation (1), shall have a minimum net worth of Rs. 300 lacs and shall deposit at least a sum of Rs. 50 lacs or higher amount with the clearing corporation or clearing house of the derivatives exchange or derivatives segment in the form specified from time to time. Explanation. For the purpose of ²[sub-regulation (2),(3) and (4)], the expression net worth shall mean paid up capital and free reserves and other securities approved by the Board from time to time (but does not include fixed assets, pledged securities, value of member's card, non-allowable securities (unlisted securities), bad deliveries, doubtful debts and advances (debts or advances overdue for more than three months or debts or advances given to the associate persons of the member), prepaid, expenses, losses, intangible assets and 30% value of marketable securities).

(4)³ An applicant who desires to act as a self clearing member, in addition to complying with the requirements of sub-regulation (1), shall have a minimum net worth of Rs.100 lacs and shall deposit at least a sum of Rs.50 lacs or higher amount with the clearing corporation or clearing house of the derivatives exchange or derivatives segment in the form specified from time to time.

1. In regulation 16C, in sub-regulation (1), after clause (c), clause (d) shall be inserted by Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. LE/2845/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/2/2002.

2. In regulation 16C, in the Explanation the words ["sub-regulations (2) and (3)"] substituted; by Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2001. [Noti. No. F.No. SEBI/LE/40162/2001, dated. 15/11/2001, Gaz. of India, Exty., Part.II, Sec. 3(ii), No. 832, dated. 15/11/2001, page.5.

3. In regulation 16C, after sub-regulation 3, sub-regulation 4 shall be inserted; by Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2001. [Noti. No. F.No. SEBI/LE/40162/2001, dated. 15/11/2001, Gaz. of India, Exty., Part.II, Sec. 3(ii), No. 832, dated. 15/11/2001, page.5.

16D. Procedure for registration :-

The Board on being satisfied that the applicant is eligible, shall grant a certificate in Form DA of Schedule I, to the applicant and send an intimation to that effect to the derivatives segment of the stock exchange or derivatives exchange or clearing corporation or clearing house, as the case may be.

16E. Procedure where registration is not granted :-

(1) Where an application for the grant of a certificate under regulation 16-A does not fulfil the requirements specified in 16-C of the regulations, the Board may reject the application of the applicant after giving a reasonable opportunity of being heard.

(2) The refusal to grant the certificate of registration shall be communicated by the Board within 30 days of such refusal to the concerned segment of the stock exchange, or clearing house or corporation and to the applicant stating therein the grounds on which the application has been rejected.

(3) An applicant may, if aggrieved by the decision of the Board under sub-regulation (2) apply within a period of thirty days from the date of receipt of such information to the Board for reconsideration of its decision.

(4) The Board shall reconsider an application made under sub-regulation (3) and communicate its decision as soon as possible in writing to the applicant and to the concerned segment of the stock exchange or clearing house of corporation.

16F. Effect of refusal of certificate of registration :-

An applicant, whose application for the grant of a certificate of registration has been refused by the Board, shall not, on and from the date of receipt of the communication under sub-regulation (2)

or sub-regulation (4) of regulation 16-E, deal in or settle the derivatives contracts as a member of the derivatives exchange or derivatives segment or clearing corporation or clearing house.

16G. Payment of fees and consequences of failure to pay fees :-

(1) Every applicant eligible for grant of a certificate as a trading or clearing member ¹["or self-clearing member"] shall pay such fee and in such manner as specified in Schedule IV.

(2) Where a trading or clearing member ²["or self clearing member"] fails to pay the fees as provided in sub-regulation (1), the Board may suspend or cancel the registration certificate after giving an opportunity of being heard, whereupon the trading and clearing member ² ["or self clearing member"] shall cease to deal in or settle the derivatives contract as a member of the derivatives segment of the exchange or derivatives exchange or clearing corporation or clearing house."

1. In regulation 16G, sub-regulation (1) after the words "clearing member" the words shall be inserted; by Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2001. [Noti. No. F.No. SEBI/LE/40162/2001, dated. 15/11/2001, Gaz. of India, Exty., Part.II, Sec. 3(ii), No. 832, dated. 15/11/2001, page.5.

2. In regulation 16G, sub-regulation (2) after the words ["Where a trading or clearing member"] and also the word ["whereupon the trading and clearing member"] the words shall be inserted; by Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2001. [Noti. No. F.No. SEBI/LE/40162/2001, dated. 15/11/2001, Gaz. of India, Exty., Part.II, Sec. 3(ii), No. 832, dated. 15/11/2001, page.5.

16H. Trading member/Clearing member ["or self-clearing member"] to abide by the Code of Conduct, etc. :-

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(1) The code of conduct specified for the stock brokers as stipulated in Schedule II, shall be applicable mutatis mutandis to the trading member, clearing member and such members shall at all times abide by the same.

(2) The trading member and clearing member shall abide by the code of conduct as specified in the rules, bye-laws and regulations of the derivatives exchange or derivatives segment of the exchange.

(3) The trading members shall obtain details of the prospective clients in 'Know Your Client' format as specified by the Board before executing an order on behalf of such client.

(4) The trading member shall mandatorily furnish 'Risk Disclosure Document' disclosing the risk inherent in trading in derivatives to the prospective clients in the form specified by the derivatives exchange or derivatives segment.

(5) The trading or clearing member shall deposit margin or any other deposit and shall maintain position or exposure limit as specified by the Board or the concerned exchange or segment or clearing corporation or clearing house from time to time.

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(6) The provisions of sub-regulations (1) to (5) shall be applicable mutatis mutandis to a self-clearing member."

1. In regulation 16H, in the heading, after the words "clearing member" the words shall be inserted; by Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2001. [Noti. No. F.No. SEBI/LE/40162/2001, dated. 15/11/2001, Gaz. of India, Exty., Part.II, Sec. 3(ii), No. 832, dated. 15/11/2001, page.5.

2. In regulation 16H, after sub-regulation (5) sub-regulation (6) shall be inserted; by Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2001. [Noti. No. F.No. SEBI/LE/40162/2001, dated. 15/11/2001, Gaz. of India, Exty., Part.II, Sec. 3(ii), No. 832, dated. 15/11/2001, page.5.

16I. Chapter IV, V and VI applicable :-

(1) The provision of Chapter IV, V and VI shall be applicable mutatis mtandis to a trading member ¹["self-clearing member"] and a clearing member and such members shall abide by the provisions of the said Chapters.

(2) In the chapters referred to in sub-regulation (1), the word 'stock broker' shall refer to trading member or clearing member ²["self-clearing member] and the word 'stock exchange' shall refer to 'derivatives exchange or derivatives segment of an exchange or clearing corporation or clearing house.'

(3) The Board may issue such directions under Sec. 11-B of the Act to the trading member or clearing member ²["self-clearing member] as may be deemed appropriate and such member shall abide by such directions.

(4) In case of violation of any regulation, the trading or the clearing member ² ["self-clearing member] shall be liable to penalty as specified in regulation 26.

1. In regulation 16-I, sub-regulation (1) after the words "a trading member" the words shall be inserted; by Securities and Exchange Board of India (Stock Brokers and Sub-Brokers)(Amendment) Regulations, 2001. [Noti. No. F.No. SEBI/LE/40162/2001,dated. 15/11/2001, Gaz. of India, Exty., Part.II, Sec. 3(ii), No. 832, dated. 15/11/2001, page.5.

2. In regulation 16-I, sub-regulation (2) (3) and (4) after the words "clearing member" the words shall be inserted; by Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2001. [Noti. No. F.No. SEBI/LE/40162/2001, dated. 15/11/2001, Gaz. of India, Exty., Part.II, Sec. 3(ii), No. 832, dated. 15/11/2001, page.5.

CHAPTER 4

General Obligations and Responsibilities

17. To maintain proper books of accounts, records etc :-

(1) Every Stockbroker shall keep and maintain the following books of accounts, records and documents, namely :-

(a) Register of transactions (Sauda Book).

(b) Clients ledger.

(c) General ledger.

(d) Journals.

(e) Gash book.

(f) Bank pass book.

¹(g) Documents register containing, inter-alia, particulars of securities received and delivered in physical form and the statement of account and other records relating to receipt and delivery of securities provided by the depository participants in respect of dematerialized securities.

(h) Members' contract books showing details of all contracts entered into by him with other members of the same exchange or counter- foils or duplicates of memos of confirmation issued to such other members.

(i) Counterfoils or duplicates of contract notes issued to clients.

(j) Written consent of clients in respect of contracts entered into as principals.

(k) Margin deposit book.

(l) Registers of accounts of sub-brokers.

(m) An agreement with a sub-broker specifying the scope of authority and responsibilities of the Stockbroker and such Sub-broker.

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(n) An agreement with the sub-broker and with the client of the sub-broker to establish privity of contract between the stock broker and the client of the sub-broker.

(2) Every stockbroker shall intimate to the Board the place where the books of accounts, records and documents are maintained.

(3) Without prejudice to sub-regulation (1), every stockbroker shall, after the close of each accounting period furnish to the Board if so required as soon as possible but not later than six months from the close of the said period a copy of the audited balance sheet and profit and loss account as at the end of the said accounting period : Provided that, if it is not possible to furnish the above documents within the time specified, the stockbroker shall keep the Board informed of the same together with the reasons for the delay and the period of time by which such documents would be furnished.

1. SUBSTITUTED BY THE Securities and Exchange Board of India (Stock Brokers And Sub-Brokers) (Amendment) Regulations, 2003 [Noti. No. F. No. SEBI/LE/17901/2003, dt. 23.9.2003 Gaz. of India, Exty., Pt. II-Sec. 3(ii), No. 873, dt. 23.9.2003, p. 7.]

2. INSERTED BY THE Securities and Exchange Board of India (Stock Brokers And Sub-Brokers) (Amendment) Regulations, 2003 [Noti. No. F. No. SEBI/LE/17901/2003, dt. 23.9.2003 Gaz. of India, Exty., Pt. II-Sec. 3(ii), No. 873, dt. 23.9.2003, p. 7.]

18. Maintenance of books of accounts and records :-

Every Stock- broker shall preserve the books of account and other records maintained under Regulation 17 for a minimum period of five years.

18A. Appointment of Compliance Officer :-

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(1) Every stock broker shall appoint a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions etc. issued by the Board or the Central Government and for redressal of investors' grievances.

(2) The compliance officer shall immediately and independently report to the Board any non-compliance observed by him."

1. Inserted by "The Securities and Exchange Board of India (Investment Advice by Intermediaries)(Amendment)Regulations, 2001

18B. Stock Broker not to deal with unregistered sub-broker

:-

¹ .The stock broker shall not deal with any person as a sub-broker unless such person has been granted certificate of registration by the Board under sub-regulation (1) of Regulation 12.

1. INSERTED BY THE Securities and Exchange Board of India (Stock Brokers And Sub-Brokers) (Amendment) Regulations, 2003 [Noti. No. F. No. SEBI/LE/17901/2003, dt. 23.9.2003Gaz. of India, Exty., Pt. II-Sec. 3(ii), No. 873, dt. 23.9.2003, p. 7.]

CHAPTER 5

Procedure for Inspection

19. Boards right to inspect :-

(1) Where it appears to the Board so to do, it may appoint one or more persons as inspecting authority to under- take inspection of the books of accounts, other records and documents of the stockbrokers for any of the purposes specified in sub-regulation (2).

(2) The purposes referred to in sub-regulation (1) shall be as follows namely:-

(a) to ensure that the books of accounts and other books are being maintained in the manner required ;

(b) that the provisions of the Act, rules, regulations and the provisions of the Securities Contracts (Regulation) Act and the rules made thereunder are being complied with ;

(c) to investigate into the complaints received from investors, other stockbrokers, sub-brokers or any other person on any matter having a bearing on the activities of the stockbrokers ; and

(d) to investigate suo motu, in the interest of securities business or

investor's interest, into the affairs of the stockbroker.

20. Procedure for inspection :-

(1) Before undertaking any inspection under Regulation 19, the Board shall give a reasonable notice to the stockbroker for that purpose.

(2) Notwithstanding anything contained in sub-regulation (1), where the Board is satisfied that in the interest of the investors or in public interest no such notice should be given, it may by an order in writing direct that the inspection of the affairs of the stockbroker be taken up without such notice

(3) On being empowered by the Board, the inspecting authority shall undertake the inspection and the stockbroker against whom an inspection is being carried out shall be bound to discharge his obligations as provided under Regulation 21.

21. Obligations of stockbroker on inspection by the Board :-

(1) It shall be the duty of every director, proprietor, partner, officer and employee of the stockbroker) who is being or inspected, to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with the statements and information relating to the transactions in securities market within such time as the said officer may require.

(2) The stockbroker shall allow the inspecting authority to have reasonable access to the premises occupied by such stockbroker or by any other person on his behalf and also extend reasonable facility for examining any books, records, documents and computer data in the possession of the stockbroker or any other person and also provide copies of documents or other materials which, in the opinion of the inspecting authority are relevant.

(3) The inspecting authority, in the course of inspection, shall be entitled to examine or record statements of any member, director, partner, proprietor and employee of the stockbroker.

(4) It shall be the duty of every director, proprietor, partner, officer and employee of the stockbroker to give to the inspecting authority all assistance in connection with the inspection, which the stockbroker may be reasonably expected to give.

22. Submission of Report to the Board :-

The inspecting authority shall, as soon as may be possible submit an inspection report to the Board.

23. Communication of Findings etc :-

(1) The Board shall after consideration of the inspection report communicate the findings to the stockbroker to give him an opportunity of being heard before any action is taken by the Board on the findings of the inspecting authority.

(2) On receipt of the explanation, if any, from the stockbroker, the Board may call upon the stockbroker to take such measures as the Board may deem fit: in the interest of the securities market and for due compliance with the provisions of the Act, rules and regulations.

24. Appointment of Auditor :-

Notwithstanding anything contained above, the Board may appoint a qualified auditor to investigate into the books of account or the affairs of the stockbroker : Provided that, the auditor so appointed shall have the same powers of the inspecting authority as mentioned in Regulation 19 and the obligations of the stockbroker in Regulation 21 shall be applicable to the investigation under this regulation.

CHAPTER 6

Procedure for Action in Case of Default

25. Liability for action in case of default :-

(1) A stockbroker who-

(a) fails to comply with any conditions subject to which registration has been granted;

(b) contravenes any of the provisions of the Act, rules or regulations;

(c) contravenes the provisions of the Securities Contracts (Regulation) Act or the rules made thereunder ;

{d) contravenes the rules, regulations or bye-laws of the stock exchange;

(2) The penalties referred to in sub-regulation (1) may be either-

(a) suspension of registration, after the inquiry, for a specified period; or

(b) cancellation of registration.

26. Suspension, cancellation of registration :-

(1) A penalty of suspension of registration of a stockbroker may be imposed if-

(i) the stockbroker violates the provisions of the Act, rules and regulations;

(ii) the stockbroker does not follow the code of conduct annexed at Schedule II;

(iii) the stockbroker-

(a) fails to furnish any information related to his transactions in securities as required by the Board ;

(b) furnishes wrong or false information ;

(c) does not submit periodical returns as required by the Board;

(d) does not co-operate in any enquiry conducted by the Board;

(iv) the stockbroker fails to resolve the complaints of the investors or fails to give a satisfactory reply to the Board in this behalf;

(v) the stockbroker indulges in manipulating or price rigging or cornering activities in the market ;

(vi) the stockbroker is guilty of misconduct or improper or unbusiness- like or unprofessional conduct;

(vii) the financial position of the stockbroker deteriorates to such an extent that the Board is of the opinion that his continuance in securities business is not in the interest of investors and other stockbrokers;

{viii) the stockbroker fails to pay the fees;

(ix) the stockbroker violates the conditions of registration ;

(x) the membership of the stockbroker is suspended by the stock exchange: Provided that the Board for reasons to be recorded in writing may in case of repeated defaults of the type mentioned above impose a penalty of cancellation of registration of the stockbroker.

(2) A penalty of cancellation of registration of a stockbroker may be

imposed if-

(i) the stockbroker violates any provisions of inside trading regulations or take-over regulations ;

(ii) The stockbroker is guilty of fraud or is convicted of a criminal offence; and

(iii) cancellation of membership of the stockbroker by the stock exchange.

27. Manner of order of suspension and cancellation :-

No order of penalty of suspension or cancellation shall be imposed except after holding an enquiry in accordance with the procedure specified in Regulation 28. Provided that the holding of such an enquiry shall not be necessary in cases where the stock broker:

(a) ceases to be a member of a recognised stock exchange; or

(b) is declared defaulter by the stock exchange and is not readmitted to the membership of the exchange within a period of six months from such declaration; or

(c) surrenders the membership of the stock exchange; or

(d) is declared insolvent by a court; or

(e) fails to pay the registration or annual fees to the Board in the manner specified in the regulations; or

(f) voluntarily surrenders certificate to the Board; or

(g) is wound up by an order passed by the court.

Provided further that no action shall be taken against the stock broker without giving an opportunity of hearing to the stock broker.]

28. Manner of holding enquiry :-

(1) For the purpose of holding an enquiry under Regulation 27, the Board may appoint an enquiry officer.

(2) The enquiry officer shall issue to the stockbroker a notice at the registered office or the principal place of business of the stockbroker.

(3) The stockbroker may, within thirty days from the date of receipt of such notice, furnish to the enquiry officer a reply together with copies of documentary or other evidence relied on by him or

sought by the Board from him.

(4) The enquiry officer shall, give a reasonable opportunity of hearing to the stockbroker to enable him to make submissions in support of his reply made under sub-regulation (3).

(5) Before the enquiry officer, the stockbroker may either appear in person or through any person duly authorised on his behalf: Provided that no lawyer or advocate shall be permitted to represent the stockbroker at the enquiry : Provided further that where a lawyer or an advocate has been appointed by the Board as a presenting officer under sub-regulation (6), it shall be lawful for the stockbroker to present its case through a lawyer or advocate.

(6) If it is considered necessary, the enquiry officer may request the Board to appoint a presenting officer to present its case.

(7) The enquiry officer shall, after taking into account all relevant facts and submissions made by the stockbroker, submit a report to the Board and recommend the penalty to be awarded as also on the justification of the penalty proposed in the notice.

29. Show-cause notice and order :-

(1) On receipt of the report from the enquiry officer, the Board shall consider the same and issue a show- cause notice as to why the penalty as it considers appropriate should not be imposed.

(2) The stockbroker shall within twenty-one days of the date of the receipt of the show-cause send a reply to the Board.

(3) The Board after considering the reply to the show-cause notice, if received, shall as soon as possible but not later than thirty days from the receipt of the reply, if any, pass such order as it deems fit.

(4) Every order passed under sub-regulation (3) shall be self-contained and give reasons for the conclusions stated therein including justification of the penalty imposed by that order.

(5) The Board shall send a copy of the order under sub-regulation (3) to the stockbroker, stock exchange of which the stockbroker is the member, [***]

30. Effect of suspension and cancellation of registration of stock- broker :-

(1) On and from the date of the suspension of the stockbroker he

shall cease to buy, sell or deal in securities as a stockbroker during the period of suspension.

(2) On and from the date of cancellation the stockbroker shall with immediate effect cease to buy, sell or deal in securities as a stockbroker.

31. Publication of order of suspension :-

The order of suspension or cancellation of certificate passed in sub-regulation (3) of Regulation 29 shall be published in at least two daily newspapers by the Boards.

32. Appeal to the Central Government :-

¹ Any person aggrieved by an order of the Board made, on and after the commencement of the Securities Laws (Second Amendment) Act, 1999, (i.e. after 16th December 1999), under these regulations may prefer an appeal to a Securities Appellate Tribunal having jurisdiction in the matter"

1. Substituted for regulation 32 "Any person aggrieved by an order of the Board may prefer an appeal to the Central Government." by the Securities and Exchange Board of India (Appeal to the Securities Appellate Tribunal) (Amendment) Regulations, 2000

SCHEDULE 1

SCHEDULE I-FORMS

SCHEDULE 2

SCHEDULE 2

\\ Securities and Exchange Board of India Stockbrokers and Sub-brokers) \\
\\ \\ \\ \\ Regulations, 1992 \\ \\ \\ \\ Code of Conduct for Stock Brokers \\ \\ \\ \\ \\
(Regulation 7) A. GENERAL (1) Integrity-. A stockbroker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business. (2) Exercise of due skill and care : A stockbroker, shall act with due skill, care and diligence in the conduct of all his business. (3) Manipulation: A stockbroker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains. (4) Malpractices: A stockbroker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors interest or which leads to interference with the fair and smooth functioning of the market. A stockbroker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness. (5) Compliance with Statutory Requirements: A stockbroker shall abide by all the provisions of the Act and the rules, regulations issued by the Govern- ment, the Board and the sto^k exchange from time to time as may be applicable to him. B. DUTY TO THE INVESTOR (1) Execution of Orders: A stockbroker, in his dealings with the clients and the general investing public, shall faithfully execute the orders for buying and selling of securities at the best available market price and not refuse to deal with a Small Investor merely on the ground of the volume of business involved. A

stockbroker shall promptly inform his client about the execution or non-execution of an order, and make prompt payment in respect of securities sold and arrange for prompt delivery of securities purchased by clients. (2) A sub-broker shall render necessary assistance to his client in obtaining the contract note from the stock broker. (3) Breach of Trust: A stockbroker shall not disclose or discuss with any other person or make improper use of the details of personal investments and other information of a confidential nature of the client which he comes to know in his business relationship. (4) Business and Commission: (a) A stockbroker shall not encourage sales or purchases of securities with the sole object of generating brokerage or commission. (b) A stockbroker shall not furnish false or misleading quotations or give any other false or misleading advice or information to the clients with a view of inducing him to do business in particular securities and enabling himself to earn brokerage or commission thereby. (5) Business of Defaulting Clients: A stockbroker shall not deal or transact business knowingly, directly or indirectly or execute an order for a client who has failed to carry out his commitments in relation to securities with another stock-broker. (6) Fairness to Clients : A stockbroker, when dealing with a client, shall disclose whether he is acting as a principal or as an agent and shall ensure at the same time, that no conflict of interest arises between him and the client. In the event of a conflict of interest, he shall inform the client accordingly and shall not seek to gain a direct or indirect personal advantage from the situation and shall not consider clients' interest inferior to his own. (7) Investment Advice: A stockbroker shall not make a recommendation to any client who might be expected to rely thereon to acquire, dispose of, retain any securities unless he has reasonable grounds for believing that the recommendation is suitable for such a client upon the basis of the facts, if disclosed by such a client as to his own security holdings, financial situation and objectives of such investment. The stockbroker should seek such information from clients, wherever he feels it is appropriate to do so. (7-A) Investment Advice in publicly accessible media. (a) A stock broker or any of his employees shall not render, directly or indirectly, any investment advice about any security in the publicly accessible media, whether real-time or non real-time, unless a disclosure of his interest including the interest of his dependent family members and the employer including their long or short position in the said security has been made, while rendering such advice. (b) In case, an employee of the stock broker is rendering such advice, he shall also disclose the interest of his dependent family members and the employer including their long or short position in the said security, while rendering such advice." (8) Competence of Stockbroker: A stockbroker should have adequately trained staff and arrangements to render fair, prompt and competent services to his clients.

C. STOCK-BROKERS VIS-A-VIS OTHER STOCKBROKERS

(1) Conduct of Dealings.-A stockbroker shall co-operate with the other contracting party in comparing unmatched transactions. A stockbroker shall not knowingly and wilfully deliver documents which constitute bad delivery and shall co-operate with other contracting party for prompt replacement of documents which are declared as bad delivery. (2) Protection of Clients Interests.-A stockbroker shall extend fullest co-operation to other stockbrokers in protecting the interests of his clients regarding their rights to dividends, bonus shares, right shares and any other right related to such securities. (3) Transactions with Stockbrokers.-A stockbroker shall carry out his transactions with other stockbrokers and shall comply with his obligations in completing the settlement of transactions with them. (4) Agreement between sub-broker, client of the sub-broker and main broker.A sub-broker shall enter into a tripartite agreement with his client and with the main stock

broker specifying the scope of rights and obligations of the stock broker, sub-broker and such client of the sub-broker. (5) Inducement of Clients.-A stockbroker shall not resort to unfair means of inducing clients from other stockbrokers. (6) False or Misleading Returns.-A stockbroker shall not neglect or fail or refuse to submit the required returns and not make any false or misleading statement on any returns required to be submitted to the Board and the stock exchange. \Securities and Exchange Board of India (Stockbrokers and Sub-Brokers) \ \ \ \ \Regulations, 1992 \ \ \ \Code of Conduct for Sub-Brokers \ \ \ \ \ (Regulation 15) A. GENERAL (1) Integrity.- Sub-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all investment business. (2) Exercise of due skill and care.-A sub-broker, shall act with due skill, care and diligence in the conduct of all investment business. B. DUTY TO THE INVESTOR (1) Execution of Orders.-A sub-broker, in his dealings with the clients and the general investing public, shall faithfully execute the Orders for buying and selling of securities at the best available market price. A sub-broker shall promptly inform his client about the execution or non-execution of an order and make payment in respect of securities sold and arrange for prompt delivery of securities purchased by clients. (2) Issue of Purchase or Sale Notes: (a) A sub-broker shall issue promptly to his clients purchase or sale notes for all the transactions entered into by him with his clients. (b) A sub-broker shall issue promptly to his clients scripwise split purchase or sale notes and similarly bills and receipts showing the brokerage separately in respect of all transactions in the specified form. (c) A sub-broker shall only split the contract notes clientwise and scripwise originally issued to him by the affiliated broker into different denominations. (d) A sub-broker shall not match the purchase and sale orders of his clients and each such order must invariably be routed through a member-broker of the stock exchange with whom he is affiliated. (3) Breach of Trust.-A sub-broker shall not disclose or discuss with any other person or make improper use of the details of personal investments and other information of a confidential nature of the client which he comes to know in his business relationship. (4) Business and Commission.- (a) A sub-broker shall not encourage sales or purchases of securities with the sole object of generating brokerage or commission. . (b) A sub-broker shall not furnish false or misleading quotations or give any other false or misleading advice or information to the clients with a view of inducing him to do business in particular securities and enabling himself to earn brokerage or commission thereby. (c) A sub-broker shall not charge from his clients commission exceeding one and one-half of one per cent of the value mentioned in the respective sale or purchase notes. (5) Business of defaulting clients.-A sub-broker shall not deal or transact business knowingly, directly or indirectly or execute an order for a client who has failed to carry out his commitments in relation to securities and in default with another broker or sub-broker. (6) Fairness to clients.-A sub-broker, when dealing with a client, shall disclose that he is acting as an agent and shall issue appropriate purchase/sale note ensuring at the same time, that no conflict of interest arises between him and the client. In the event of a conflict of interest, he shall inform the client accordingly and shall not seek to gain a direct or indirect personal advantage from the situation and shall not consider clients interest inferior to his own. (7) Investment advice.-A sub-broker shall not make a recommendation to any client who might be expected to rely thereon to acquire, dispose of, retain any securities unless he has reasonable grounds for believing that the recommendation is suitable for such a client upon the basis of the facts, if disclosed by such a client as to his own security holdings, financial situation and objectives of such investment. The sub-broker should seek such information from clients,

wherever they feel it is appropriate to do so. (7-A) Investment Advice in publicly accessible media. (a) A sub-broker or any of his employees shall not render, directly and indirectly any investment advice about any security in the publicly accessible media, whether real-time or non real-time, unless a disclosure of his interest including his long or short position in the said security has been made, while rendering such advice. (b) In case, an employee of the sub-broker is rendering such advice, he shall also disclose the interest of his dependent family members and the employer including their long or short position in the said security, while rendering such advice." (8) ComptttMt of sub-broker.-A sub-broker should have adequately trained staff and arrangements to render fair, prompt and competent services to his clients and continuous compliance with the regulatory system. C. SUB-BROKERS VIS-A-VIS STOCKBROKERS (1) Conduct of Dealings.-A sub-broker shall co-operate with his broker in comparing unmatched transactions. A sub-broker shall not knowingly and wilfully deliver documents which constitute bad delivery. A sub-broker shall co-operate with other contracting party for prompt replacement of documents which are declared as bad delivery. (2) Protection of clients' interests.-A sub-broker shall extend fullest co-operation to his stockbroker in protecting the interest of their clients regarding their rights to dividends, right or bonus shares or any other rights relatable to such securities. (3) Transactions with Brokers.-A sub-broker shall not fail to carry out his stockbroking transactions with his broker nor shall he fail to meet his business liabilities or show negligence in completing the settlement of transactions with them. (4) Lfgal Agreement between Brokers.-A sub-broker shall execute an agreement or contract with his affiliating brokers which would clearly specify the rights and obligations of the sub-broker and the principal broker. (5) AdEertisement and Publicity.-A sub-broker shall not advertise hi_ business publicly unless permitted by the stock exchange. (6) Inducement of Clients.-A sub-broker shall not resort to unfair means of inducing clients from other brokers. D. SUB-BROKERS VIS-A-VIS REGULATORY AUTHORITIES (1) General Conduct.-A sub-broker shall not indulge in dishonourable, disgraceful or disorderly or improper conduct on the stock exchange nor shall he wilfully obstruct the business of the stock exchange. He shall comply with the rules, bye-laws and regulations of the stock exchange. (2) Failure to give Information.-A sub-broker shall not neglect or fail or refuse to submit to the board or the stock exchange with which he is regis- tered, such books, special returns, correspondence, documents, and papers or any part thereof as may be required. (3) False or Misleading Returns.-A sub-broker shall not neglect or fail or refuse to submit the required returns and not make any false or misleading statement on any returns required to be submitted to the Board or the stock exchanges. (4) Manipulation.-A sub-broker shall not indulge in manipulative, fraudulent or deceptive transaction* or schemes or spread rumours with a view to distorting market equilibrium or making personal gains. (5) Malpractices.-A sub-broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the public interest or which leads to interference with the fair and smooth functions of the market mechanism of the stock exchanges. A sub-broker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness.

SCHEDULE 3
SCHEDULE III

brokers) Regulations, 1992 \ \ \ \ (Regulation 10) 1. FEES TO BE PAID BY THE STOCKBROKER 1. Every stockbroker shall be subject to Paragraphs 2 and 3 of this Schedule pay registration fees in the manner set out below: (a) Where the annual turnover does not exceed rupees one crore during any financial year, a sum of rupees five thousand for each financial year; or (b) Where the annual turnover of the stockbroker exceeds rupees one crore during any financial year, a sum of rupees five thousand plus one hundredth of one per cent of the turnover in excess of rupees one crore for each financial year; "(bb" Notwithstanding anything contained in clause (b) it is clarified that the fee shall be recoverable as computed as under: (i) in respect of jobbing transactions that is to say all transactions which are squared off during the same day which have not been undertaken by the broker on behalf of clients, the fees shall be computed at the rate of one two hundredth of one per cent in respect of the sale side of such transactions; (ii) in respect of transactions in Government securities, the bonds issued by any Public Sector Undertaking and the units traded in a similar manner, the fee payable shall be computed at the rate of one thousandth of one per cent of the turnover; (iii) in case of carry forward, renewal or badia transactions the fees shall be computed at the rate of one hundredth of one per cent of the turnover and the reverse off setting transactions shall not be counted as part of the turnover; (iv) if brokers are carrying out transactions in securities without reporting them to the stock exchange, those transactions shall be taken into account for the purpose of turnover and the fees shall be computed at the rate of one hundredth of one per cent of the turnover; (v) the trade put through on other stock exchanges shall be included in the turnover of that exchange if market for that security does not exist on the exchange of which he is a member and the fees shall be computed at the rate of one hundredth of one per cent of the turnover; (vi) activity such as underwriting and collection of deposits shall not be taken into account for the purpose of calculating the turnover." (c) After the expiry of five financial years from the date of initial registration as a stockbroker, he shall pay a sum of rupees five thousand for ["every"] block of five financial years commencing from the sixth financial year after the date of grant of initial registration to keep his registration in force. 2. Fees referred to in clauses (a) and (b) of Paragraph I above shall be paid- (a) in respect of the financial year 1992-93 within one month of the commencement of these regulations; (b) in respect of the financial year beginning on the 1st day of April 1993 and the following financial years, on or before the first day of October of the financial year to which such payment relates; and such fees shall be computed with reference to the annual turnover relating to the preceding financial year. 3. Every remittance of fees referred to in clauses (a) and (b) of Paragraph I, shall be accompanied by a certificate as to the authenticity of turnover on the basis of which fees have been computed duly signed by the stock exchange of which the stockbroker is a member or by a qualified auditor as defined in Section 226 of the Companies Act, 1956 . ["4. Where a corporate entity has been formed by converting the individual or partnership membership card of the exchange, such corporate entity shall be exempted from payment of fee for the period for which the erstwhile individual or partnership member, as the case may be, has already paid the fees subject to the condition that the erstwhile individual or partner shall be the wholetime Director of the corporate member so converted and such Director will continue to hold minimum 40% shares of the paid-up equity capital of the corporate entity for a period of at least three years from the date of such conversion."]

Explanation.-For the purpose of Paragraphs 1, 2 and 3 "annual turnover" means the aggregate of the sale and purchase prices of securities received

and receivable by the stockbroker on his own accounts as well as on account of his clients in respect of sale and purchase or dealing in securities during any financial year" "Explanation : It is clarified that the conversion of individual or partnership membership card of the exchange into corporate entity shall be deemed to be in continuation of the old entity and no fee shall be collected again from the converted corporate entity for the period for which the erstwhile entity has paid the fee as per the regulations." "4-A. Where a stock exchange has formed a subsidiary company, which has become a stock broker of another stock exchange, then the turnover of the stock broker who is buying, selling or dealing in securities, through the subsidiary company as a sub-broker, shall be excluded from the turnover of the subsidiary company, only if the stock broker has paid five years turnover based fees plus fee for a block of five years in accordance with the regulations, on the concerned stock exchange which has formed the subsidiary company." ["5. If a stock broker fails to remit fees in accordance with Paragraphs 1 and 2, he shall be liable to pay interest @ 15% per annum for each month of delay or part thereof: Provided that the liability to pay interest as aforesaid may be in addition to any other action which the Board may take as deemed fit against the stock broker under the Act, or the Regulations: Provided further that if the liability of the stock broker on account of payment of interest works out to be Rs 100 or less the same may be waived off by the Board taking into consideration the administrative cost involved in recovering the said amount."] II. FEES. TO BB PAID BY SUB-BROKER (a) A sub-broker shall pay a fee of rupees one thousand for each financial year for an initial period of five years. (b) After the expiry of the five years mentioned above, the sub- broker shall pay a fee of rupees five hundred for each financial year as long as the Certificate remains in force. III. MANNER OF FEES TO BE PAID The fees indicated above shall be paid on or before the 1st day of October each year payable by a cheque, draft or Other instrument in favour of "The Securities and Exchange Board of India" at Bombay.

SCHEDULE 4

SCHEDULE IV

" Regulation 16G(1) FEES TO BE PAID BY THE TRADING OR CLEARING MEMBER ["OR SELF-CLEARING MEMBER"] OF DERIVATIVES EXCHANGE /DERIVATIVES SEGMENT/CLEARING CORPORATION/CLEARING HOUSE 1. A clearing member shall pay a fee of Rs. 25,000/- every year till his registration is in force, in the manner specified below: (a) for the first financial year along with the application for registration; (b) for the subsequent financial years before 1st June of that financial year. 2. A trading member shall pay every year a fee till his registration is in force, in the manner specified below: (a) where the annual turnover does not exceed Rs. 500 crore in the financial year, a sum of Rs. 10,000 for each financial year; and (b) where the annual turnover exceeds Rs. 500 crore in the financial year, a sum of Rs. 10,000 plus 10 paise per Rs. 1,00,000 of turnover, for the turnover in excess of Rs. 500 crore in the financial year. Explanation. For the purpose of clause 2, the expression 'annual turnover' shall mean the aggregate value of all trades executed by the trading member on the derivatives exchange or the derivatives segment and shall also include the value of trade settled on the expiration of derivatives contracts. ["However, for option contracts the "annual turnover" shall be computed on the basis of the premium traded for the option contracts and in case where the option is exercised/assigned, the 'annual turnover' shall be computed on the basis of the national value of the option contracts

exercised/assigned, in addition to the annual turnover' computed on the basis of premium traded".] [2A. The "self-clearing member" shall pay every year a fee as specified in clauses 1 and 2. The provisions of clauses 3 to 6 shall be applicable mutatis mutandis to a self-clearing member."] 3. Every remittance of fees by a trading member as specified in clause 2 shall be made every financial year as under: (a) For the first financial year in which certificate of registration is granted a sum of Rs. 10,000/- shall be paid along with the application for registration. (b) For the subsequent financial years from the initial registration: (i) A sum of Rs. 10,000/- shall be paid before 1st June of that financial year; and (ii) A balance fee of the preceding financial year for the turnover in excess of Rs. 500 crores shall be paid before the 1st June of the financial year. (c) The remittance shall be accompanied by a certificate authenticating the turnover by the concerned derivatives exchange or derivatives segment. 4. A trading member who also acts as a clearing member shall pay the annual fee separately, as applicable to each category as specified in clauses 2 and 3 above. 5. The fees indicated above shall be paid by draft in favour of Securities and Exchange Board of India, Mumbai'. Such draft shall be forwarded to the Board through the concerned derivatives exchange or derivatives segment or clearing corporation or clearing house.". 6. The financial year shall mean the year commencing from 1st April and ending on 31st March of the following year.