REPORT OF THE WORKING GROUP
ON
REVIEW OF COMPLIANCE REQUIREMENTS UNDER THE SEBI (STOCKBROKERS) REGULATIONS, 1992

September 25, 2024

Acknowledgements

The Working Group expresses its gratitude to the Intermediary Advisory Committee (IAC) of SEBI, for constituting this Working Group and for entrusting it with role of reviewing compliance requirements under SEBI (Stock Brokers) Regulations, 1992 (hereinafter referred as “SB Regulations”) and SEBI (Depositories and Participants) Regulations, 2018 (hereinafter referred as “DP Regulations”) and suggesting changes in it with an objective to reduce compliance burden and facilitate ease of doing business. The Working Group is also grateful to Shri Ashishkumar Chauhan, MD & CEO, NSE and Chairperson of this Working Group.

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1 Introduction

The Hon’ble Finance Minister as part of the Budget Speech for FY 2023-24 had announced as follows:

“To simplify, ease and reduce cost of compliance, financial sector regulators will be requested to carry out a comprehensive review of existing regulations. For this, they will consider suggestions from public and regulated entities………”

Pursuant to the Budget Announcement and based on the discussions held at the meeting of Intermediary Advisory Committee (IAC) of SEBI, it was decided to constitute a Working Group to recommend simplification of SB Regulations and DP Regulations.

2 Constitution of the Working Group

Accordingly, SEBI constituted a Working Group to review compliance requirements under SEBI (Stock Brokers) Regulations, 1992 (hereinafter referred as “SB Regulations”) and SEBI (Depositories and Participants) Regulations, 2018 (hereinafter referred as “DP Regulations”) under the Chairmanship of Shri Ashishkumar Chauhan, MD & CEO, NSE on August 23, 2023. The primary objective of this Working Group was to simplify the SB Regulations and DP Regulations. Further, there have been several materially significant changes in the compliance requirements of Stock Brokers and Depository Participants which have been mandated under various SEBI circulars and guidelines from time to time. The Working Group was tasked with updating the Regulations to reflect these changing compliance obligations.

The composition of members of the Working Group is as follows:

Sr. No.	Name of the Member and the organization	Capacity
1	Ms. Renu Bhandari, SVP, NSE	Member
2	Ms. Usha Sharma, Senior GM, BSE	Member
3	Mr. Vinod Kumar Goyal, President, ANMI	Member
4	Mr. Manoj Agarwal, CRO, RKSV Securities India Pvt. Ltd.	Member
5	Mr. Manishkumar Sabu, CRO, Nextbillion Technology Pvt Ltd (Groww)	Member
6	Mr. Ravichandra Hegde, Senior Partner, RHP Partners	Member
7	Mr. Tomu Francis, Partner, Khaitan & Co.	Member
8	Dr. Latha Chari, Professor, NISM	Member
9	Mr. Venkatesh, President, Tamil Nadu Investor Association	Member
10	Mr. Santosh Nair, Editor, Money Control	Member
11	Mr. Sanjiv Saraff, Jt. Managing Director, BOB Capital Markets Ltd	Member

3 Terms of Reference

The broad terms of reference ("TOR") to the Working Group were to review compliance requirements under the respective regulations and provide intermediary wise recommendations (SB/DP) with the objective to simplify, ease and reduce cost of compliance, while effectively balancing investor protection and compliance with laws of the land, to build trust in the industry, and to facilitate its development and growth.

Subsequently, pursuant to direction from the competent authority, SEBI vide its e-mail dated September 27, 2023 extended the 'TOR' of the Working Group to include the following:

"To invite public comments and consider the same for the purpose of making recommendations."

Accordingly, SEBI issued a press release on October 4, 2023 inviting suggestions towards simplifying, easing and reducing cost of compliance pertaining to SB Regulations and DP Regulations from the public and regulated entities.

4 Process followed.

The Working Group had its first virtual meeting on September 22, 2023 and decided to review each and every clauses of the SB Regulations and DP Regulations. Subsequently, the Working Group again virtually met on another Nine occasions on November 28, 2023, December 1, 2023, December 6, 2023, December 13, 2023 and February 12, 2024, April 18, 2024, May 9, 2024, June 20, 2024, July 31, 2024 and discussed the various clauses of the SB Regulations and DP regulations and also reviewed comments received from the public and regulated entities to finalise the report.

5 Principles and Summary of Recommendations

Principles of Recommendations

In the spirit of the Hon'ble Finance Minister's words and as per the TOR of the Working Group, a holistic set of recommendations have been provided, which are based on following key principles:

- Simplify the language of the regulations to bring clarity and remove ambiguity, if any.
- Amend regulations to remove inconsistency and bring parity with sub- regulations within the same regulations and also with other capital market intermediary regulations.
- Omit regulations which are redundant.

- Identify comments/suggestions which do not warrant changes in the regulations but need deliberation from ease of doing business and propose to SEBI to refer to relevant committee.
- Include the major compliance requirements applicable to the stock brokers which are not covered under the Regulations.

Summary of recommendations

Part 1 - Comments/Suggestions received from the Public/Stock brokers:

Pursuant to Press release of the SEBI seeking comments/suggestions from the Public, a summary of the comments/suggestions received from the Public is as follows:

No. of comments/suggestions Received with reference to Stock-Broking Regulations	No. of suggestions which were actually pertaining to Stock-Broking Regulations and presented before the working group	No. of suggestions which were not pertaining to Stock-Broking regulations, but to operational circulars, guidelines, etc.
266	40	226

Deliberations of Working Group:

W.r.t. the comments/suggestions received from the Public

The Working Group deliberated on the comments/suggestions received from the Public and noted that there were certain comments/suggestions which were made with an intent to reduce compliance burden and relating to process/operational changes to facilitate ease of doing business, but the same were not warranting any changes in the SB Regulations and/or DP Regulations.

The Working Group noted that the TOR of the Working Group is to give recommendations for suggesting changes in the SB Regulations and/or DP Regulations. Further, SEBI has already formed certain committees/Industry Standard Forum who are already looking into the various circulars/guidelines issued for the Stockbrokers and Depository Participants to give recommendations from ease of doing business perspective. The Working Group was of the view that it would be appropriate that SEBI refer all such comments/suggestions to respective committees/Industry Standard Forum to deliberate on the same to avoid any duplication of the work.

Accordingly, the Working Group hereby recommend to SEBI to refer comments/suggestions provided in the **Annexure – 5.A** to respective committee/Industry Standard Forum by SEBI to deliberate and take necessary action of giving their suggestion/recommendations on the same.

Further, there were certain comments/suggestions which were deliberated and the Working Committee and consider the same either for change in regulation or no changes were required/not to be considered. The same are provided in **Annexure - 5.B**

The summary of the comments/suggestions received from the Public is categorized as follows:

No. of comments/suggestions Relating to Stock-Broking Regulations		
Deliberated by WC (Annexure – 5.B)	**Recommended to SEBI (Annexure – 5.A)**	**Total**
36	4	40

Out of the aforementioned 36 comments/suggestions, the Working Group has proposed relevant amendments with respect to 5 major comments/suggestions relating to provisions such as change in control, maintaining records in electronic format and application to the Board through stock exchanges, etc., and 4 other minor comments/suggestions, pertaining to typographical errors, updation in the year of other regulations, etc.

6 Comments/Suggestions W.r.t. the SB Regulations and DP Regulations

The Working Group has deliberated on various clauses of the SB Regulations and DP Regulations. However, both the depositories, i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) were of the view that the discussion is needed only for modification/amendments to the specific Chapter of the DP Regulations which is applicable to the Depository Participants and not for the Chapters for the Depositories. Accordingly, the Working Group has proposed amendments only for the chapter pertaining to Depository Participants.

The suggestions/recommendations on SB Regulations are as specified below:

I. Modification of Index content:

Rational:
The regulations shown in the Index were already removed in previous amendments, but still these are still appearing in the Index, hence need to be deleted from there.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
CHAPTER III- REGISTRATION OF SUB-BROKERS **11.** Registration as sub-broker **11A.** Application for registration as sub broker **12.** Procedure for registration 12A. Conditions of registration	~~CHAPTER III- REGISTRATION OF SUB-BROKERS~~ ~~**11.** Registration as sub-broker~~ ~~11A. Application for registration as sub broker~~ ~~**12.** Procedure for registration~~

13. Procedure when registration is not granted **14.** Effect of refusal **15** General obligations and inspection **15A**. Director not to act as sub-broker **16.** Application of Chapters IV, V & VI	~~12A. Conditions of registration~~ ~~13. Procedure when registration is not granted~~ ~~14. Effect of refusal~~ ~~15. General obligations and inspection~~ ~~15A. Director not to act as sub-broker~~ ~~16. Application of Chapters IV, V & VI~~
18B. Stock Broker not to deal with unregistered Sub-broker	~~18B. Stock Broker not to deal with unregistered Sub-broker~~
Schedule I – forms: **FORM AA:** Application form for registration as a trading and/or a clearing member and/or a self-clearing member] with the Securities and Exchange Board of India **FORM B:** Application Form for Registration as a Sub-broker with Securities and Exchange Board of India **FORM C:** Recommendation Letter to be given by the Member with whom the Sub-broker is affiliated **FORM CA:** Recognition letter to be issued by the Stock Exchange	~~Schedule I – forms:~~ ~~FORM AA: Application form for registration as a trading and/or a clearing member and/or a self-clearing member] with the Securities and Exchange Board of India~~ ~~FORM B: Application Form for Registration as a Sub-broker with Securities and Exchange Board of India~~ ~~FORM C: Recommendation Letter to be given by the Member with whom the Sub-broker is affiliated~~ ~~FORM CA: Recognition letter to be issued by the Stock Exchange~~

II. Modification in Definitions – Chapter -I:

a. Definition of "Clearing Member" and "Self-Clearing Member":

Rational:

With the introduction of mandatory clearing and settlement through the Clearing Corporation in the Commodities segment as well and the merger of the Forwards Market Commission (FMC) with the SEBI vide SEBI's Press Release PR No. 143/2016 dated September 30, 2018 read with SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2018, the highlighted part of the current regulations have become redundant. Hence, proposed to delete redundant part.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
(ae) "clearing member" means a person having clearing and settlement rights in any recognised clearing corporation and shall	(ae) "clearing member" means a person having clearing and settlement rights in any recognised clearing corporation ~~and~~

include any person having clearing and settlement rights on a commodity derivatives exchange: Provided that such a clearing member in commodity derivatives exchange shall be required to become a member of a recognised clearing corporation from such date as may be specified by the Board	~~shall include any person having clearing and settlement rights on a commodity derivatives exchange:~~ ~~Provided that such a clearing member in commodity derivatives exchange shall be required to become a member of a recognised clearing corporation from such date as may be specified by the Board~~
(fa) "self-clearing member" means a member of a clearing corporation who is also a stock broker and clears and settles trades on its own account or on account of its clients only and includes any person having clearing and settlement rights on a commodity derivatives exchange: Provided that such person who clears and settles trades in commodity derivatives, shall be required to become a member of a recognised clearing corporation, from such date as may be specified by the Board.	(fa) "self-clearing member" means a member of a clearing corporation who is also a stock broker and clears and settles trades on its own account or on account of its clients only ~~and includes any person having clearing and settlement rights on a commodity derivatives exchange:~~ ~~Provided that such person who clears and settles trades in commodity derivatives, shall be required to become a member of a recognised clearing corporation, from such date as may be specified by the Board.~~

b. Insertion of Definition of "Algorithmic Trading"

SEBI has issued the broad guidelines vide its circular No. CIR/MRD/DP/ 09 /2012 dated March 30, 2012, and SEBI/HO/CDMRD/DMP/CIR/P/2016/97 dated September 27, 2016 on algorithmic (Algo) trading algorithmic trading. In order to cover such trades by the stock brokers, it is proposed to insert the definition of algorithmic trading.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
There is no existing provision.	(a1) "Algorithmic Trading" means any order generated/placed using automated execution logic.

c. Insertion of Definition of "Authorized Person"

SEBI has issued framework for market access through authorized persons vide its circular No. MIRSD/ DR-1/Cir- 16/09 dated November 06, 2009. Further, considering the role of Sub-broker vis-a-vis Authorized Person, SEBI discontinued the category of Sub-Brokers as Market Intermediaries vide Circular No. SEBI/HO/MIRSD/DoP/CIR/P/2018/117 dated August 03, 2018.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
There is no existing provision.	(a2) "Authorized Person" means any individual, partnership firm, LLP or body corporate, who is appointed as such by a stock broker and who provides access to trading platform of a stock exchange as an agent of the stock broker and registered with a stock exchange or other relevant authority.

Authorized Person related definition, monitoring & supervision requirements, etc., may be amended, enhanced or excluded from the regulations, based on adequacy of compliance requirements to be reviewed by the Board from time to time.

d. Insertion of Definition of "Execution Only Platform"

Rational:

After the introduction of Execution Only Platform (EOP) segment, the SB regulations were amended vide SEBI (Stock Brokers) (Amendment) Regulations, 2023 to carve out separate requirements to maintain books of account, records and documents and other requirements related to fees, deposit, variable net worth, etc., it is proposed to insert the definition of EOP.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
There is no existing provision.	(af) "Execution Only Platform" means any digital or online platform which facilitates transactions such as subscription, redemption and switch transactions in direct plans of schemes of Mutual Funds.

e. Modification of Definition of "professional clearing member"

Rational:

The current definition of the professional clearing member (PCM) states that a PCM shall not have 'trading rights' in the recognized stock exchange in which such person is registered as PCM. However, the term 'trading rights' has a wider meaning and has created ambiguity whether such person can have trading rights in a capacity of an investor or not. Therefore, it is proposed to modify the definition in order to bring clarity.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
(ca) "professional clearing member" means a member having clearing and settlement rights in any recognized clearing corporation, but not having trading rights in any recognized stock exchange.	(ca) "professional clearing member" means a member having clearing and settlement rights in any recognized clearing corporation, but not having trading rights as that of a trading member in any recognized stock exchange.

f. Insertion of Definition of "proprietary trading"

Rational:

The current regulations do not have any definition of 'proprietary trading', therefor it is proposed to insert the definition of the same to bring clarity in the demarcation of own trading and trading on behalf of clients by a stock broker.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
There is no existing provision.	(caa) "proprietary trading" means trading in any segment of the recognised stock exchange, in its own account by a stock broker.

g. Modification in Definition of "proprietary trading member"

Rational:

The current definition of the proprietary trading member is covering only the debt segment. Further, in order to have separate trading membership in other segments too, it has been proposed to modify the definition of proprietary trading member.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
(cb) "proprietary trading member" means a stock broker who trades in the debt segment of the recognised stock exchange, exclusively on its own account or as permitted by its sectoral regulator;	(cb) "proprietary trading member" means a stock broker who trades in any segment of the recognised stock exchange, exclusively on its own account or as permitted by its sectoral regulator.

h. Insertion of Definition of "Designated Director"

"Designated Director"

Currently, there is no definition of "Designated Director" provided in the SEBI Stock Broker Regulation and the said term is used as a practice for those directors who are designated so by the stock broker in compliance with clause (v) of sub-rule(4A) of rule 8 of the Securities Contracts (Regulation) Rules, 1957 ("Rules"). Further, there is no specific clarity either in Rules or SB Regulation whether Designated Director needs to be in whole time employment of the company. Hence, there is a need to have a specific definition of the Designated Director in the SEBI (Stock Broker) Regulations for better clarity.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
There is no existing provision.	(l) **"Designated Director"** means a director designated by the stock broker in compliance with clause (v) of sub-rule(4A) of rule 8 of the Securities Contracts (Regulation) Rules, 1957; Provided that such director is appointed to the board of director of the stock broker and is in whole-time employment of the stock broker.

i. Insertion of Definition of "Key Management Personnel (KMP)"

Rational:

Currently, there is no definition of "**Key Management Personnel"** provided in the SEBI Stock Broker Regulation and the same is relied on the definition given in the Companies Act, 2013, which includes those personnel also who are not related to day to day stock broking activities like Company Secretary. Similarly, there are key people who are managing the stock broking activity, but they do not appear in the definition of Companies Act, 2013 like Chief Operating Officer, Chief Risk Officer, Compliance Officer, etc. Hence, there is a need to have a specific definition of KMP in the SEBI (Stock Broker) Regulations.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
There is no existing provision.	(b) "**Key Management Personnel**" shall include: i. Chief Executive Officer, Managing Director or Manager as defined under the Companies Act, 2013.

	ii. Whole-Time/ Executive Director, as defined under the Companies Act, 2013, iii. Designated Director. iv. Chief Operating Officer, Chief Financial Officer, Chief Risk Officer or a person with similar positions by whatever name called. v. Compliance Officer. vi. such other person, designated by the board of director or Nomination and Remuneration Committee, of the stock broker.

j. Addition / Modification in Chapter – II: Consideration of application for grant of registration –

a. Regulation (5(g)):

Rational:

As per current guidelines stipulated by all the Exchanges, a Stockbroker and their Designated Directors/Partners should have passed at least 12th standard or equivalent examination from an institution recognized by the Government. Keeping in view the increasing number of Stockbroker registration and to ensure that the Stockbroker and their Designated Directors/Partners have a certain level of competence & formal education while dealing in the securities Market, it is hereby proposed that the qualification requirement be enhanced from the present 12th standard to Graduate or equivalent examination from an institution recognized by the Government/foreign university or 12th Standard along with one-year NISM certification.

For purpose of educational qualification from a foreign university, the universities shall be recognised by the Board or some other relevant authority.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
(g) has obtained certification in terms of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 or as may be specified by the Board	(g) and their Designated Director(s)/Partner(s) have minimum educational qualification which shall be Graduation from a university, or an institution recognized by the Central Government or any State Government or a recognized foreign university or Higher Secondary Certificate (HSC) along with one year certification in

	terms of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 or as may be specified by the Board.

It is felt prudent to not have CPE structure for this certification and the course shall compulsorily be availed through examination mode only, after classroom or virtual lessons.

k. Insertion of sub-regulation 5(i):

Rational:

In case of a stock broker is company, in order to facilitate governing and implementation of compliance requirements as prescribed by SEBI, it is desirable to have at least one designated director who is residing in India. Hence, it is proposed to insert following condition as sub-regulation 5(i), after sub-regulation 5(h).

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
There is no existing provision.	(i) in case of a company, it has to have at least one designated director, who stays in India for a total period of not less than one hundred and eighty-two days during the financial year.

II. Modification in Chapter – II: Conditions of Registration

a. Regulation (9(c)):

Rational:

Currently, all applications to Board including application for change in control is routed only through the stock exchanges. Hence, the regulation is proposed to be aligned with the existing process.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
(c) where the stock broker proposes change in control, he shall obtain prior approval of the Board for continuing to act as such after the change;	(c) where the stock broker proposes change in control, it shall obtain prior approval of the Board by making an application through any one of the stock exchange of which it is admitted as a member and shall

	intimate other MIIs for continuing to act as the stock broker ~~such~~ after the change;

b. Regulation (9(cc)):

Rational:

Currently, the regulation seeks prior approval for change in control only. However, there is no provision for intimation by the stock broker, in case the information submitted at the time of registration, undergoes a material change, apart from change in control. Hence, the below sub-regulation is proposed to be inserted after Regulation 9(c).

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
There is no existing provision.	(cc) the stock broker shall forthwith inform the Board in writing, through any one of the stock exchange of which it is admitted as a member and shall intimate other MIIs, if there is any material change in the information already submitted at the time of registration;

III. Modification in Chapter – IIA – Clearing Corporation for commodity derivatives- Regulation (10(E)):

Rational:
With the introduction of mandatory clearing and settlement through the Clearing Corporation in the Commodities segment and the merger of the Forwards Market Commission (FMC) with the SEBI vide SEBI's Press Release PR No. 143/2016 dated September 30, 2018 read with SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2018, the highlighted part of the current regulations have become redundant. Hence, proposed to be deleted.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
10E. For the purpose of this Chapter and in respect of clearing and settlement of trades in commodity derivatives, the word "clearing corporation" wherever appearing, shall refer to a commodity derivatives exchange till such time a	~~10E. For the purpose of this Chapter and in respect of clearing and settlement of trades in commodity derivatives, the word "clearing corporation" wherever appearing, shall refer to a commodity derivatives exchange till such time a~~

separate clearing corporation is established to undertake the activity of clearing and settlement of trades in commodity derivatives.	~~separate clearing corporation is established to undertake the activity of clearing and settlement of trades in commodity derivatives.~~

IV. Modification in Chapter – IV – General Obligations and Responsibilities:

a. To maintain proper Books of accounts, records, etc., - Regulation 17(1) & 17(1)A

Rational:
With the advent of technological developments, many of the Books of accounts and / or records are maintained electronically instead of in the physical form. Hence, necessary changes as highlighted below are proposed.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
1.Every Stockbroker shall keep and maintain the following books of account, records and documents, namely	1.Every Stockbroker shall keep and maintain, either physically or in electronic form, the following books of account, records and documents, namely
1A. A stock broker in the Execution Only Platforms segment, shall keep and maintain the books of account, records and documents, as may be specified by the Board from time to time.	1A. A stock broker in the Execution Only Platforms segment, shall keep and maintain, either physically or in electronic form, the books of account, records and documents as may be specified by the Board from time to time.

b. Regulation 17(1)(g), 17(1)(h) & 17(1)(i)

Rational:

Due to sunset of the physical delivery in the capital markets, the relevant regulation 17(1)(g) is partially redundant and needs to be replaced with records for maintenance of register of securities.

For regulation 17(1)(h), the restriction on the stock brokers from dealing with other stock brokers of the same exchange, the current provision is redundant hence the same needs to be omitted.

For regulation 17 (1)(i), maintaining physical copy of contract notes is a burdensome activity as it requires space to store the records and involves cost, and for ease of doing business the same is required to be maintained in the electronic form. Hence, necessary changes as highlighted below are proposed.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
(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;	(g) ~~Documents register containing, inter alia, particulars of securities received and delivered in physical form and the statement of account~~ Register of Securities and other records relating to receipt and delivery of securities provided by the depository participants in respect of dematerialized securities;
(h) Member's contract books showing details of all contracts entered into by him with other members of the same exchange or counterfoils or duplicates of memos of confirmation issued to such other members;	~~(h) Member's contract books showing details of all contracts entered into by him with other members of the same exchange or counterfoils or duplicates of memos of confirmation issued to such other members;~~
(i) Counterfoils or duplicates of contract notes issued to clients;	(i) ~~Counterfoils or duplicates of~~ Copy of contract notes issued to clients (to be maintained in electronic form);

c. Regulation 17(2) & 17(3)

Rational:
Currently all communications of the stockbroker with the Board are routed only through the stock exchanges. Hence, the regulation is proposed to be aligned with the existing process.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
(2) Every stockbroker shall intimate to the Board, the place where the books of account, records and documents are maintained.	(2) Every stockbroker shall intimate to the Board, through any one of the stock exchanges of which it is admitted as a member, the place where the books of account, 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:	(3) Without prejudice to sub-regulation (1), every stock broker shall, after the close of each accounting period furnish to the Board, through any one of the stock exchange of which it is admitted as a member, 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:

d. Regulation 18 - Maintenance of books of account and records

The Working Group members deliberated on the proposal to revise the period for the preservation of records to 3 years from the existing period of 5 years. However, based on due deliberation, the Working Group members concluded to keep the period unchanged to 5 years.

Rational:

The Prevention of Money Laundering Act, 2002 being a crucial piece of legislation in terms of scrutiny, surveillance and enforcement of suspicious /illegal financial transactions, the working group felt that it should be prudent to keep the period for the preservation of records aligned with the provisions of the Prevention of Money Laundering Act, 2002, i.e., 5 years.

The Working Group also noted that SEBI has issued a consultation paper on August 29, 2024, to seek comments / views / suggestions from the public and relevant stakeholders on the requirement of the maintenance of record of mandatory communication by the entities regulated by SEBI.

The aforementioned consultation paper has proposed to insert Regulation 17A in SB regulations as below:

Records of Communications

17A. Wherever under these regulations or the circulars issued thereunder, the stock broker is mandated to make any communication, the stock broker shall:

i. maintain the record of such communication and wherever applicable, the acknowledgement thereof, for a period not less than eight years from the date of such communication; and

ii. make record of such communication and wherever applicable, the acknowledgement thereof, available to SEBI upon being required to furnish such records.

The timelines to record keeping needs to be aligned, once finalised.

e. Insertion of regulation 18E - for the existing major compliance requirements

Rational:

The SEBI and the Stock Exchanges has from time to time, issued certain compliance requirements towards monitoring and supervision of the stock brokers, in order to protect the interest of investors in securities and to promote the development of and to regulate the securities market. It is proposed to cover the major compliance requirements applicable to the stock brokers in the stock-brokers regulations.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
There is no existing provision.	Inserting Regulation 18E after the Regulation 18D as follows: **Obligations and responsibilities for stock brokers** 18E. (1) Without prejudice to the Regulation 18D, the stock brokers shall be required to meet obligations and discharge responsibilities, in the manner specified by the Board, covering the following: a) Ensuring that the clients' funds are available at all times, as prescribed by the Board, stock exchange and/or clearing corporation from time to time. b) Adhering to the running account settlement guidelines, as prescribed by the Board, stock exchange and/or clearing corporation from time to time. c) Adhering to the allocation and segregation of collaterals at the client level and upstreaming of client funds guidelines, as prescribed by the Board, stock exchange and/or clearing corporation from time to time. d) Adhering to the requirement of internal audit for stock brokers viz. appointment, rotation of Internal Auditors, timeline for

	submissions of Internal Audit Reports, etc., as prescribed by the Board and/or stock exchange from time to time. e) Adhering to KYC (Know Your Client) and client due diligence guidelines and procedures, as prescribed by the Board and/or stock exchange from time to time. f) Bringing the contents of the risk disclosure document to the notice of client and make the client aware of the significance of the said document. g) Faithfully executing the orders on behalf of clients for buying and selling of securities at the best available market price and shall not refuse to deal with a Small Investor merely on the ground of the volume of business involved. h) execute trades of the clients only after keeping evidence of the client placing the order, as prescribed by the Board and/or stock exchange from time to time. i) Keeping the money/securities deposited by the client in a separate account, distinct from his/its own account or account of any other client and shall not be used by the stock broker for himself/itself or for any other client or for any purpose other than the purposes mentioned in SEBI Rules and Regulations circulars/ guidelines and Rules/Regulations/Bye-laws and circulars issued by a stock exchange / clearing corporation.

	j) Having a robust cyber security and cyber resilience framework in accordance with the requirements and submission of reports., as prescribed by the Board and/or stock exchange from time to time. k) Carry out Vulnerability Assessment and Penetration Tests (VAPT) and submission of the VAPT report., as prescribed by the Board and/or stock exchange from time to time. l) Carry out System Audit and submission of the System Audit report., as prescribed by the Board and/or stock exchange from time to time. m) Monitoring and review of trading activities of the Authorised Persons (Aps) and branches including periodic inspection of branches assigned to APs and records of the operations carried out by them, as prescribed by the Board and/or stock exchange from time to time. n) Ensuring the enrollment and continuation thereof during the period of membership of a stock exchange, on the common Online Dispute Resolution Portal (ODR), as prescribed by the Board and/or stock exchange from time to time. o) Adhering to the Code of Advertisement, as prescribed by the Board and/or stock exchange from time to time. p) Adhering to the guidelines on outsourcing of activities, as

	prescribed by the Board and/or stock exchange from time to time. q) Shall maintain confidentiality of all the details/information/data pertaining to the client and the same should not be disclosed to any person except as required under any law/regulatory requirements or with the express written permission of the client.

V. **Insertion of regulation 18F - for covering the restricted/prohibited activities by stock brokers**

Rational:
SEBI and the Stock Exchanges have from time to time, issued restrictions and prohibitions on stock brokers from undertaking certain activities, in order to protect the interest of investors in securities and to promote the development of and to regulate the securities market. It is proposed to cover the said major restrictions/prohibitions applicable to the stock brokers in the SB regulations.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
There is no existing provision.	Inserting Regulation 18F after the proposed Regulation 18E as follows: **Activities restricted/prohibited for stock brokers** 18F. (1) Without prejudice to the obligations of the stock broker under the SEBI Act, 1992 or any Rules /Regulations/circulars/ guidelines framed thereunder and/or stock exchange Rules/Regulations/Bye-laws and circulars and/or clearing corporation Rules/Regulations/Bye-laws and circulars and/or depositories Rules/Regulations/Bye-laws and circulars, stock broker shall refrain from - a) Engaging in activities/schemes of

	fixed / periodic payments, which are not permitted under the Byelaws, Rules & Regulations of a recognized stock exchange and circulars, including operating any schemes of unauthorised collective investments/portfolio management, promising indicative/ guaranteed/fixed returns/payments etc., as prescribed by the Board and/or stock exchange from time to time. b) Engaging in any fund-based activity, unless otherwise specified and Funding of client transactions. c) Accepting cash from their clients either directly or by way of cash deposit to the bank account of the stock broker. d) Engaging in trade inducement, incentives/referral schemes.

VI. Insertion in Chapter – V - Procedure for Inspection:

a. Regulation 19 - Board's right to inspect

Rational:

Regulation 19 (3) and 19(4) – In order to have an enabling provision in the regulations for inspection by the Exchanges as well as for joint inspection by the SEBI, stock exchanges and/or depositories, etc., it has been proposed to insert the following as sub-regulation (3) and (4) of Regulation 19.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
There is no existing provision, since the proposal is related to inserting a new regulation.	Inserting sub-regulation (3) and sub-regulation (4) in Regulation 19 as follows: **Board's right to inspect** 19. (1)..... (2)......

	(3) Notwithstanding anything contained in sub-regulations (1) and (2) above, the recognised stock exchange(s), clearing corporation and depository may conduct inspection of stock brokers, in accordance with their respective bye-laws. (4) the Board and the recognised stock exchange(s), clearing corporation and depository may conduct joint inspection of the stock brokers.

VII. Modification in Chapter – VI - Procedure for action in case of default:

a. Regulation 26 (iv) & 26 (vi) - Liability for monetary penalty

Rational:

Regulation 26 (iv)-As per Conditions of Registration- chapter -II, Regulation 9(e), the stock broker needs to take adequate steps for redressal of grievances in 21 calendar days. Hence, the necessary changes are proposed to align with the same.
Regulation 26 (vi)- As per the SEBI circular MIRSD/ SE /Cir-19/2009 dated December 3, 2009 and SEBI/HO/MRD/DP/CIR/P/2016/135 dated December 16, 2016, the stock broker need to give pay-out of funds and securities within one working day. Hence, the necessary changes are proposed to align with the same.
Regulation 26 (viii)- The stock broker shall be held responsible where he has unpublished price sensitive information and used the same. Hence, in order to clear the ambiguity and make it clearer, proposed the necessary changes.
Regulation 26 (xi)- The proposed language is more aligned from a legal language perspective.
Regulation 26 (xvii)- All communications of the stockbrokers with the Board are routed only through the stock exchanges. Hence, the regulation is proposed to be aligned with the existing process.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
(iv) Failure to redress the grievances of investors within 30 days of receipts of notice from the Board.	(iv) Failure to redress the grievances of investors within twenty-one calendar days of receipts of notice from the Board.
(vi) Failure to deliver any security or make payment of the amount due to the	(vi) Failure to deliver any security or make payment of the amount due to

investor within 48 hours of the settlement of trade unless the client has agreed in writing otherwise.	the investor within ~~48 hours~~ one working day of the settlement of trade unless the client has agreed in writing otherwise.
(viii) Dealing in securities of a body corporate listed on any stock exchange on his own behalf or on behalf of any other person on the basis of any unpublished price sensitive information.	(viii) Dealing in securities of a body corporate listed on any stock exchange on his own behalf or on behalf of any other person on the basis of any unpublished price sensitive information in possession of the stock broker.
(xi) Procuring or communicating any unpublished price sensitive information except asrequired in the ordinary course of business or under any law.	(xi) Procuring or communicating any unpublished price sensitive information except asrequired in the ordinary course of business or under any law for the time being in force.
(xvii) Failure to obtain prior approval of the Board in case of change in control of the stockbroker.	(xvii) Failure to obtain prior approval of the Board through any one of the stock exchange of which it is admitted as a member and intimation to other MIIs in case of change in control of the stockbroker.

b. Regulations 27 (xiii) - Liability for action under the Securities and Exchange Board of India (Intermediaries) Regulations, 2008

Rational:

Since the SEBI (Prohibition of Insider Trading) Regulations, 1992 has changed to SEBI (Prohibition of Insider Trading) Regulations, 2015, the necessary changes are proposed to correct the reference.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
(xiii) indulges in insider trading in violation of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992.	(xiii) indulges in insider trading in violation of the Securities and Exchange Board of India(Prohibition of Insider Trading) Regulations, ~~1992~~2015 (as amended or re-enacted from time to time).

c. Regulations 28 (v) - Liability for prosecution

Rational:

It is proposed to have a reference to future amendments and re-enactments to the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
(v) Violating the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.	(v) Violating the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (as amended or re-enacted from time to time).

VIII. Insertion in Chapter – VII - MISCELLANEOUS:

a. **Insertion of Regulation 31 – Power to relax strict enforcement of the regulations**

Rational:
Regulation 31 – In order to have an enabling provision in the regulations for relaxing strict enforcement of the regulations, it has been proposed to insert the following as Regulation 31.

Note: The amount of application fees for relaxation shall be decided by SEBI, if this amendment is accepted.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
There is no existing provision.	Inserting Regulation 31 as follows: **Power to relax strict enforcement of the regulations** 31. (1) The Board may, in the interest of development and regulation of securities market, relax the strict enforcement of any requirements of these regulations. (2) For seeking relaxation under sub-regulation (1), an application, giving details and the grounds on which such relaxation has been sought, shall be filed with the Board along with a non-refundable fee, as prescribed from time to time. (3) The Board shall process such

	application within thirty days of the date of receipt of the application complete in all respects and shall record reasons for acceptance or refusal of relaxations sought by the applicant. (4) The Board may seek recommendation from a stock exchange and/or clearing corporation, as it may deem fit, in order to process the application. (5) Confidentiality of request: a. Any person submitting a letter or written communication under this regulation may request that it receive confidential treatment for a specified period of time not exceeding 180 (One Hundred and Eighty) days from the date of the Board's response. The request shall include a statement of the basis for confidential treatment. b. If the Board determines to grant the request, the letter or written communication will not be available to the public until the expiration of the specified period. c. If it appears to the Board that the request for confidential treatment should be denied, the requestor will be so advised with reasons and such person may withdraw the letter or written communication within 30 days of receipt of the advise, in which case the fee, if any, paid by the requestor would be refunded. d. In case where a request has been withdrawn under clause (c), no response will be given and the letter or written communication will remain in the records of the Board but will not be made available to the public.

	e. If the letter or written communication is not withdrawn, it shall be available to the public together with the written response of the Board.

IX. Modification in Schedule I

FORM A

Rational: In order to remove the duplicates in seeking the information (first as an "Undertaking" forming part of the Application Form and then seeking separate declaration for Fit & Proper person), it is suggested to combined the same where along with the Application Form, the fit and proper person undertaking is also obtained with necessary details of the cases.

Undertaking

Hence, proposed the necessary changes in Regulation.

Declaration

Considering the fact that while signing the application form, the authorized signatory relies on the data provided by various individuals and departments within the organisation. Hence, the proposed language is added.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
Undertaking: 5. Whether the applicant or its director or partners, any time convicted of any economic offence? If so, furnish the details. 6. Whether the applicant or its directors or partners, declared insolvent or declared defaulter by any exchange? If so, furnish details. 7. Whether the applicant or its directors or partners at any time subjected to any proceedings or penalty by the Board under SEBI Act or any of the regulations framed under the SEBI Act? If so, furnish the details. 8. Whether any disciplinary action has been initiated/ taken or penalty has been imposed by SEBI/ stock exchange(s)/ clearing corporation(s) or	Undertaking: ~~5. Whether the applicant or its director or partners, any time convicted of any economic offence? If so, furnish the details.~~ ~~6. Whether the applicant or its directors or partners, declared insolvent or declared defaulter by any exchange? If so, furnish details.~~ ~~7. Whether the applicant or its directors or partners at any time subjected to any proceedings or penalty by the Board under SEBI Act or any of the regulations framed under the SEBI Act? If so, furnish the details.~~ ~~8. Whether any disciplinary action has been initiated/ taken or penalty has been imposed by SEBI/ stock~~

any other regulatory authority? If yes, furnish details. Also provide the details of corrective steps taken thereon	~~exchange(s)/ clearing corporation(s) or any other regulatory authority? If yes, furnish details. Also provide the details of corrective steps taken thereon~~ Fit and Proper Person Declaration from the Applicant, its director or partners in the format as given in Annexure – "6.A".

FORM AD

Rational: In order to remove the duplicates in seeking the information (first as an "Undertaking" forming part of the Application Form and then seeking separate declaration for Fit & Proper person), it is suggested to combined the same where alongwith the Application Form, the fit and proper person undertaking is also obtained with necessary details of the cases.

Undertaking

Hence, the necessary changes are proposed in Regulation.

Declaration

Considering the fact that while signing the application form, the authorized signatory relies on the data provided by various individuals and departments within the organisation, a detailed undertaking is added.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
Undertaking: 3. Whether the applicant or its director or partners, any time convicted of any economic offence? If so, furnish the details. 4. Whether the applicant or its directors or partners, declared insolvent or declared defaulter by any exchange? If so, furnish details. 5. Whether the applicant or its directors or partners at any time subjected to any proceedings or penalty by the Board under SEBI Act or any of the regulations framed under the SEBI Act?	Undertaking: ~~3. Whether the applicant or its director or partners, any time convicted of any economic offence? If so, furnish the details.~~ ~~4. Whether the applicant or its directors or partners, declared insolvent or declared defaulter by any exchange? If so, furnish details.~~ ~~5. Whether the applicant or its directors or partners at any time subjected to any proceedings or penalty by the Board under SEBI Act or any of the regulations~~

If so, furnish the details. 6. Whether any disciplinary action has been initiated/ taken or penalty has been imposed by SEBI/ stock exchange(s)/ clearing corporation(s) or any other regulatory authority? If yes, furnish details. Also provide the details of corrective steps taken thereon	~~framed under the SEBI Act? If so, furnish the details.~~ ~~6. Whether any disciplinary action has been initiated/ taken or penalty has been imposed by SEBI/ stock exchange(s)/ clearing corporation(s) or any other regulatory authority? If yes, furnish details. Also provide the details of corrective steps taken thereon~~ Declaration from the Applicant, its director or partners for Fit and Proper Person, in the format as given in Annexure – "6.A", in line with the SEBI (Intermediaries) Regulations, 2008, as amended from time to time. Based on the declaration received, the Board shall decide whether an applicant is Fit and Proper Person or not.

FORM E

Rational:

Since the concept of sub-broker is no more in existence, it is proposed to delete the Form E.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
Securities and Exchange Board of India (Stock Brokers) Regulations, 1992 [Regulation 12]	~~Securities and Exchange~~ ~~Board of India (Stock~~ ~~Brokers)~~ ~~Regulations,~~ ~~1992~~ ~~[Regulation 12]~~
Certificate of Registration In exercise of the powers conferred by sub-section (1) of section 12 of the Securities and Exchange Board of India Act, 1992, read with the rules and	~~**Certificate of Registration**~~ ~~In exercise of the powers conferred by sub-section (1) of section 12 of the Securities and Exchange Board of India Act, 1992, read with the rules and~~

regulations made thereunder, the Board hereby grants a certificate of registration to...................as a Sub-broker subject to the rules and in accordance with the regulations. Registration number allotted is as under: .... This certificate shall be valid till it is suspended or cancelled in accordance with theregulations. Date: By Order For and on behalf of Securities and Exchange Board of India	~~regulations made thereunder, the Board hereby grants a certificate of registration to...................as a Sub-broker subject to the rules and in accordance with the regulations.~~ ~~Registration number allotted is as under:~~ ~~...~~ ~~...~~ ~~This certificate shall be valid till it is suspended or cancelled in accordance with theregulations.~~ ~~Date:~~ ~~By Order~~ ~~For and on behalf of Securities and Exchange Board of India~~

X. Modification in Schedule II - CODE OF CONDUCT FOR STOCK BROKERS

Rational:

A. General

Point No. 6 - This clause was appearing in Section C, under Stock-Brokers vis-a-vis Other Stock-Brokers, whereas it has no direct relation between Stock-Brokers and Other Stock-Brokers' activity. Hence, moved it from **Section C** to **Point A-General**.

B. Duty to the Investor

Point No. 2 - Since the concept of sub-broker is no more in existence, it is proposed to delete the wordings relating to the sub-broker.

Point No. 5 – There is no mechanism in place whereby the stock broker comes to know if any client has defaulted in meeting his obligation with the other stock broker. Hence, it is proposed to delete this point.

Point No.7 - The said point was added before 2013. From 2013, SEBI Investment Advisory Regulations are in place and necessary amendments have taken place in the said regulation from time to time. As per the said regulation, when the stock broker is providing investment advice to their clients which are incidental to their stock broking activity, they are required to comply with Chapter III of the said regulation. The Chapter III has cast specific obligation on

the Investment Advisor while providing investment advice including, but not limited to, doing the suitability analysis of the client. Hence, to align the SEBI SB Regulation with the requirement prescribed in SEBI IA Regulations, the below modifications are proposed.
Point No.7A - The said point was added when SEBI (Research Analyst) Regulation 2014 was not in existence. With the introduction of SEBI (Research Analyst) Regulation 2014, there are regulatory requirement prescribed for anyone to become a research analyst. Also they need to follow certain regulations while giving research recommendations including meeting qualification and certification criteria to act as research analyst, record maintenance, etc. Such regulatory requirement is not applicable for the stock broker employee for giving recommendations in public media, which leads to gross regulatory arbitrage. Hence, it is proposed to delete the said clause so that if the stock broker employee wants to give recommendations in public media, the stock broker get registered as Research Analyst.

Insertion of point No. 9 – With the introduction of standard "Most Important Terms & Conditions (MITC)", it is proposed to insert a relevant provision in the regulations.

C. Stock-Brokers vis-a-vis Other Stock-Brokers

Rational

Point No.1, 2 & 3 - Due to sunset of the physical delivery in the capital markets, the Sub-point No.1 and 2 of Point E are redundant. Also, the stock brokers are not allowed to deal with other stock brokers of the same exchange. Hence, the current provision of the Sub-point No.3 of Point E is also redundant. Hence, the said sub-point No.1, 2 and 3 are proposed to be deleted.

Point No. 6 - This clause has no direct relation between Stock-Brokers and Other Stock-Brokers' activity. Hence, moved it from **Section C** to **Section A-General**.

E. Duty as an Underwriter

Rational

Point No. 9(a) & (b) - With the introduction of SEBI (Research Analyst) Regulation 2014, there are regulatory requirement prescribed for anyone to become a research analyst. Also they need to follow certain regulations while giving research recommendations including meeting qualification and certification criteria to act as research analyst, record maintenance, etc. Such regulatory requirement is not applicable for the stockbroker employee for giving recommendations in public media, which leads to gross regulatory arbitrage. Hence, it is proposed to delete the said clause so that if the stockbroker employee wants to give recommendations in public media, the stock broker get registered as Research Analyst.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
A. General. -	A. General. 6. False or Misleading Returns: A stock-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 and the stock exchange.
B. Duty to the Investor (1) Execution of Orders: A stock-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 and not refuse to deal with a Small Investor merely on the ground of the volume of business involved. A stock-broker 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. Issue of Contract Note: A stock-broker shall issue without delay to his client or client of the sub-broker, as the case may be a contract note for all transactions in the form specifiedby the stock exchange. 5. Business of Defaulting Clients: A stock-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 with another stock-broker.	B. Duty to the Investor (1) Execution of Orders: ~~A stock-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 and not refuse to deal with a Small Investor merely on the ground of the volume of business involved.~~ A stock-broker 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. Issue of Contract Note: A stock-broker shall issue without delay to his client ~~or client of the sub-broker, as the case may be~~ a contract note for all transactions in the form specifiedby the stock exchange. ~~5. Business of Defaulting Clients: A stock-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~~

7. Investment Advice: A stock-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 stock-broker should seek such information from clients, whenever he feels it is appropriate to do so. (7A) 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.	~~commitments in relation to securities with another stock-broker.~~ 7. Investment Advice: A stock-broker shall not make a recommendation to any client who might be expected to rely thereon to acquire, dispose of, retain any securities unless it has complied with the Chapter III of SEBI (Investment Advisory) Regulations, 2013, as amended from time to time. ~~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 stock-broker should seek such information from clients, whenever he feels it is appropriate to do so.~~ ~~(7A) 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.~~ 9. A stock broker shall adhere to the "Most Important Terms & Conditions (MITC)" guidelines.

C. Stock-Brokers vis-a-vis Other Stock-Brokers (1) Conduct of Dealings: A stock-broker shall co-operate with the other contracting party in comparing unmatched transactions. A stock-broker 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 stock-broker shall extend fullest co-operation to other stock-brokers 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 Stock-Brokers: A stock-broker shall carry out his transactions with other stock-brokers and shall comply with his obligations in completing the settlement of transactions with them. (6) False or Misleading Returns: A stock-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 and the stock exchange.	~~C. Stock-Brokers vis-a-vis Other Stock-Brokers~~ ~~(1) Conduct of Dealings: A stock-broker shall co-operate with the other contracting party in comparing unmatched transactions. A stock-broker 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 stock-broker shall extend fullest co-operation to other stock-brokers 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 Stock-Brokers: A stock-broker shall carry out his transactions with other stock-brokers and shall comply with his obligations in completing the settlement of transactions with them.~~ ~~6. False or Misleading Returns: A stock-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 and the stock exchange.~~
E – Duty as an underwriter 9 (a) A Stock Broker or any of its 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 its interest including its long or short position in the said security has been made, while rendering such advice. (b)In case, an employee of a Stock Broker is rendering such advice, the	~~E – Duty as an underwriter~~ ~~9 (a) A Stock Broker or any of its 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 its interest including its long or short position in the said security has been made, while rendering such advice.~~ ~~(b)In case, an employee of a Stock~~

Stock Broker shall ensure that he shall disclose its interest, the interest of dependent family members and that of the employer including their long or short position in the said security, while rendering such advice.	~~Broker is rendering such advice, the Stock Broker shall ensure that he shall disclose its interest, the interest of dependent family members and that of the employer including their long or short position in the said security, while rendering such advice.~~

XI. Modification in Schedule III – FEES TO BE PAID BY THE STOCK BROKERS

Rational:

Since the concept of sub-broker is no more in existence, the necessary changes are proposed below to align with the same.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
Fees to be paid by the Stock Broker. 4A. Where a stock exchange has formed a subsidiary company, which has become a stockbroker of another stock exchange, then the turnover of the stock broker who is buying, sellingor 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.	**I.** Fees to be paid by the Stock Broker. ~~4A. Where a stock exchange has formed a subsidiary company, which has become a stockbroker 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.]~~

XII. Modification in Schedule V - Payment Of Fees By Stock Brokers/Clearing Members/ Self-Clearing Members

PART B – CHARGE OF FEES

Rational:

While Regulation 3 and 10A talks about registration of the Stock Broker and Clearing Member, the sub-regulation (4) of Regulation 3 states that every registered stock broker can act as underwriter. This has no connection with seeking registration as stock broker. Further, there is no sub-regulation (4) of Regulation 10A. Hence, the below necessary changes are proposed. Further, since the period of application made prior to the transfer and vesting of rights and assets of the Forward Markets

Commission with the Securities and Exchange Board of India is already elapsed, it is proposed to delete the proviso to Regulation 4A, as the same is redundant now.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
4A. The non-refundable fee payable along with an application for registration under sub- regulation (4) of regulation 3 or sub-regulation (4) of regulation 10A shall be a sum of fifty thousand rupees: Provided that the non-refundable fee payable along with an application for registration, by a person dealing, clearing and settling trades, on a national commodity derivatives exchange or regional commodity derivatives exchange, immediately before the transfer and vesting of rights and assets of the Forward Markets Commission with the Securities and Exchange Board of India, shall be a sum of twenty-five thousand rupees or five thousand rupees, respectively.	4A. The non-refundable fee payable along with an application for registration under ~~sub- regulation (4) of~~ regulation 3 or ~~sub-regulation (4) of~~ regulation 10A shall be a sum of fifty thousand rupees~~:~~ ~~Provided that the non-refundable fee payable along with an application for registration, by a person dealing, clearing and settling trades, on a national commodity derivatives exchange or regional commodity derivatives exchange, immediately before the transfer and vesting of rights and assets of the Forward Markets Commission with the Securities and Exchange Board of India, shall be a sum of twenty-five thousand rupees or five thousand rupees, respectively.]~~

XIII. Modification in Schedule VI – Net worth and Deposit Requirements For Stock Brokers/ Clearing Members/ Self-Clearing Members

Rational:

The SEBI circulars SEBI/HO/MIRSD-PoD-1/P/CIR/2023/84 dated June 08, 2023 and SEBI/HO/MIRSD-PoD-1/P/CIR/2023/187 dated December 12, 2023 provides regarding Upstreaming of the client funds' by Stock brokers / Clearing members with the clearing corporation and also compulsorily lien marking of the fixed deposit receipts created out of the client fund in favour of the clearing corporation. Post implementation of the said circular calculating the variable Networth of the members based on the availability of funds with members will be redundant. Hence, it is proposed to calculate the variable net worth basis the availability of client funds with trading member as well as the clearing member and clearing corporation of the trading member.

The Working Group was apprised that there is a separate Working Group which has been constituted by SEBI, particularly for review of net worth requirement of trading members and/or self clearing members and the final outcome of the deliberations of the said Working Group is awaited. Considering the same, this Working Group opined that it shall be prudent to have an enabling provision in the Stock-Broker Regulations, empowering the SEBI and stock exchanges to prescribed the variable net worth requirements.

Suggested text of the Amendment:

Existing Provisions	Suggested Changes
6. (1) Where the trading member/ self-clearing member deposits the fund with the clearing member/ professional clearing member/ clearing corporation, the maintenance of variable networth would not be required by that trading member/ self-clearing member to the extent of client's funds deposited with clearing member/ professional clearing member/ clearing corporation. (2) Where the trading member deposits the client's funds with clearing member/ professional clearing member, the computation of variable networth at the level of clearing member/ professional clearing member shall also include the funds of the clients of trading member deposited with the clearing member/ professional clearing member. (3) Where the self-clearing member/ clearing member/ professional clearing member deposits the client's funds with the clearing corporation, the same shall be excluded while calculating the variable networth at the level of the self-clearing member/ clearing member/ professional clearing member: Provided that the cash / Fixed Deposit Receipts/ Bank Guarantee accepted by trading member/ self-clearing member/ clearing member/ professional clearing member shall be included while calculating the variable networth: Provided further that the cash / Fixed Deposit Receipts/ Bank Guarantee of clients deposited by trading member with clearing member/ professional clearing member and by self-clearing member/ clearing member/ professional clearing member with the clearing corporation shall be excluded while calculating the variable networth.	6. The trading member / Self Clearing member shall adhere to the variable net worth requirement, as prescribed by the Board or stock exchange from time to time.

NETWORTH FOR MEMBERS DEALING IN SECURITIES

Type of Member	~~Base Networth {within 1 year of the date of notification of the Securities and Exchange Board of India (Stock Brokers) (Amendment) Regulations, 2022} (in ₹)~~	Base Networth ~~{within 2 years of the date of notification of the Securities and Exchange Board of India (Stock Brokers) (Amendment) Regulations, 2022} (in ₹)~~	Variable Networth ~~{within 1 year of the date of notification of the Securities and Exchange Board of India (Stock Brokers) (Amendment) Regulations, 2022} #~~
Trading Member	~~-~~	1 crore	As prescribed by the Board or stock exchange from time to time.
Self-Clearing Member	~~3 crore*~~	5 crore*	
Clearing Member	~~10 crore*~~	15 crore*	
Professional Clearing Member	~~25 crore~~	50 crore	

* In Currency Derivative Segment, Self-Clearing Member and Clearing Membershall have minimum networth of Rs. 5 crore and Rs. 10 crore, respectively.
# Networth requirement for members shall be Base Networth or Variable Networth,whichever is higher.
However, the requirement of Variable Networth shall not be applicable for Execution Only Platforms segment.

Existing Provisions	Suggested Changes
Explanation 1: For the purposes of this Schedule, 'base networth' shall mean paid up capital, fully, compulsorily and mandatorily convertible debentures / bonds / warrants which are convertible within a period of 5 years from the date of issue, free reserves and other securities	~~Explanation 1:~~ ~~For the purposes of this Schedule, 'base networth' shall mean paid up capital, fully, compulsorily and mandatorily convertible debentures / bonds / warrants which are convertible within a period of 5 years from the date of issue, free reserves~~

approved by the Board from time to time, but shall not include fixed assets, pledged securities, value of member's card, non-allowable securities (unlisted securities), bad deliveries, any debts and advances (except trade debtors of less than 3 months), prepaid expenses, losses, intangible assets and 30% value of marketable securities: Provided that in case of securities pledged to clearing corporation, the post haircut value of shares owned by the Trading Member / Clearing Member, as may be specified by the Board from time to time, shall be considered for computation of the networth: Provided further that the deposit requirement specified for the debt segment shall not be applicable when a clearing member clears and settles all the trades only on gross basis for both securities and funds, without using settlement or trade guarantee fund: Provided further that where the stock broker, clearing member or self-clearing member in the debt segment, is also regulated by a sectoral regulator other than the Board, the networth shall be computed in the manner as specified by such sectoral regulator or as specified by the Board, whichever is higher. Explanation 2: For the purposes of this Schedule, free reserves shall include Profit and Loss, General Reserve, Securities Premium, Preference Share Redemption Reserve and Capital Redemption Reserve, but shall not include reserves created by revaluation of assets.	~~and other securities approved by the Board from time to time, but shall not include fixed assets, pledged securities, value of member's card, non-allowable securities (unlisted securities), bad deliveries, any debts and advances (except trade debtors of less than 3 months), prepaid expenses, losses, intangible assets and 30% value of marketable securities:~~ ~~Provided that in case of securities pledged to clearing corporation, the post haircut value of shares owned by the Trading Member / Clearing Member, as may be specified by the Board from time to time, shall be considered for computation of the networth:~~ ~~Provided further that the deposit requirement specified for the debt segment shall not be applicable when a clearing member clears and settles all the trades only on gross basis for both securities and funds, without using settlement or trade guarantee fund:~~ ~~Provided further that where the stock broker, clearing member or self-clearing member in the debt segment, is also regulated by a sectoral regulator other than the Board, the networth shall be computed in the manner as specified by such sectoral regulator or as specified by the Board, whichever is higher.~~ ~~Explanation 2: For the purposes of this Schedule, free reserves shall include Profit and Loss, General Reserve, Securities Premium, Preference Share Redemption Reserve and Capital Redemption Reserve, but shall not include reserves created by~~

	~~revaluation of assets.~~

ANNEXURE – 6.A

Declaration and Undertaking of the Applicant/ Directors/ Partners

(A separate form needs to be submitted by each individual)

S. No	Fit & Proper Criteria	Yes/No (If yes, furnish full details along with corrective steps taken thereon, if any)
a)	Whether any Criminal complaint or information under section 154 of the Code of Criminal Procedure, 1973 (2 of 1974) has been filed against you by Securities and Exchange Board of India ("Board") and which is pending?	
b)	Whether any charge sheet has been filed against you by any enforcement agency in matters concerning economic offences and is pending?	
c)	Whether you are subjected to any proceedings or penalty and/or an order of restraint, prohibition or debarment has been passed against you by the Board or any other regulatory authority or enforcement agency in any matter concerning securities laws or financial markets and such order is in force?	
d)	Whether any recovery proceedings have been initiated by the Board against you and are pending?	Refer Note 1
e)	Whether any order of conviction has been passed against you by a court for any offence involving moral turpitude?	
f)	Whether any winding up proceedings have been initiated or an order for winding up has been passed against you?	
g)	Whether you have been declared insolvent and not discharged?	Refer Note 2
h)	Whether you have been found to be of unsound mind by a court of competent jurisdiction and the finding is in force?	
i)	Whether you have been categorized as a wilful defaulter?	
j)	Whether you have been declared a fugitive economic offender?	
k)	Any other explanation/information which may be considered relevant for judging fit and proper criteria for you.	

Undertaking

I confirm that the above information is, to the best of my knowledge and belief, true and complete. I undertake to keep SEBI fully informed, as soon as possible, of all events, which take place subsequent to my appointment, which are relevant to the information provided above.

Signature:
Name:
Designation:
Date:
Place:

Note:

1. If any of the stock exchanges have declared you as defaulter, also provide details of the same.
2. Details are to be provided for the 5 financial years preceding to the financial year in which the application is made.