SECURITIES AND EXCHANGE BOARD OF INDIA

Communication of the Order appointing Adjudicating Officer

(1) Securities and Exchange Board of India (hereinafter referred to as "SEBI") had conducted an inspection of **M/s M. G. Capital Services Ltd. -** Stock Broker of NSE.

(2) Whereas it, *prima facie,* appeared to the Competent Authority that the entity, namely, **M/s M. G. Capital Services Limited** having its address at " S-529, First Floor, School Block, Shakapur, Delhi – 110092" has *violated following provision of laws:*

1. *Clauses A(2), B(2) and C(6) of Code of Conduct as prescribed for the Stock Brokers under Regulation 7 of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992.*
2. *SEBI Circular No. SMDRP/Policy/CIR-39/2001 dated July 18, 2001.*
3. *SEBI Circular No. SMD/Policy/Cir-11/97 dated May 21, 1997.*
4. *SEBI Circular No. SEBI/MIRSD/DPS-1/Cir-31/2004 dated August 26, 2004.*

(3) And whereas the Competent Authority is satisfied that there are sufficient grounds to enquire into the alleged violations of the said entity in terms of Regulation 15HB and 15F of Securities and Exchange Board of India Act, 1992 (SEBI).

(4) And whereas The Competent Authority had appointed Shri D. Ravikumar, Chief General Manager as Adjudicating Officer vide Order dated August 30, 2012 to enquire into and adjudge for the alleged violation by the aforesaid entity. The matter was transferred to Shri Suresh B. Menon, Chief General Manager vide order dated June 22, 2015 and subsequently **Ms. Anitha Anoop**, Chief General Manager has been appointed as the Adjudicating Officer in the matter vide order dated **March 25, 2019.**

(5) The said proceedings of appointment are hereby communicated to the Adjudicating Officer, to conduct the Adjudication Proceedings in the manner specified under Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (**SEBI Adj Rules**) read with Section 15-I of the SEBI Act. The Adjudicating Officer shall inquire into and adjudicate the alleged violation as stated above and if satisfied that the entity has become liable to penalty, may impose such penalty, as he thinks fit, in terms of Rule 5 of SEBI Adj Rules and the provisions of Section 15HB and 15F of SEBI Act, 1992 as mentioned above.

Dated at Mumbai, on this 24th day of **September, 2019**

SANDEEP DEORE
GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA

SECURITIES AND EXCHANGE BOARD OF INDIA
SECONDARY MARKET DEPARTMENT
Mittal Court, A Wing, Gr. Floor,
224, Nariman Point, Mumbai 400 021

SMD/POLICY/CIRCULAR/ 11 -97

May 21st, 1997.

The Executive Director/President/Managing Director
of all Stock Exchanges

SUB:REGISTRATION OF SUB BROKERS

Dear Sir,

As you are aware, Sub-brokers are required to obtain certificate of registration from SEBI in accordance with SEBI (Stock Brokers & Sub-brokers) Rules & Regulations 1992 without which they are not permitted to buy, sell or deal in securities.

Despite the statutory requirement, large number of Sub-brokers in the Securities Market are unregistered. The issue was discussed during annual meeting of the Stock Exchanges held in SEBI on March 19, 1997. It was decided in the meeting that transfer deed bearing rubber stamps on the reverse thereof other than those of clearing members of the stock exchanges/clearing house/clearing corporations, SEBI registered sub-brokers and remisiers registered with the stock exchanges shall be treated as bad delivery in stock exchanges. This shall apply to all transfer deeds dated June 1, 1997 and thereafter.

We had earlier circulated the guidelines for filing the applications for registration by the sub-brokers vide our letter no SMD/OPG/AA/1020/96 dated March 14,1996 (copy enclosed for ready reference).As referred in our aforesaid letter you are requested to keep sufficient Stocks of Form 'B'(application form for registration as Sub-broker) and Form'C'(recommendation letter to be given by the member with whom the Sub-broker is affiliated),for free distribution amongst applicants.

In September 1993,we had prescribed a model agreement to be entered between broker and the sub-broker. The model agreement has now been revised based upon suggestions received from the market participants. A copy of the revised agreement is enclosed The salient features of the revised model agreement are as under :

1. The registered sub-broker can transact only through the member broker who had recommended his application for registration by signing form C. If the Sub-broker is desirous of doing business with more than one broker, he will have to obtain separate registration in each case.

1. It will be mandatory for the sub-broker to disclose the name of all other sub-brokers/brokers where he is having direct or indirect interest.
1. It shall be the responsibility of the broker to report the default if any of his sub-broker to all other brokers with whom sub-broker is affiliated.

1. The earlier stipulation of keeping the deposits received from sub-brokers with the stock exchange has now been removed.

1. The agreement can be terminated by giving the notice in writing of not less than 6 months by either party.

1. Sub-brokers are obligated to enter into agreements and maintain the database of their clients / investors on the pattern of format forwarded to the stock exchanges by our circular No.SMD/POLICY/CIR/5-97 dated April 11 1997.It is clarified that the sub-broker already registered with SEBI have to maintain database of their client/investor.

advise you to bring the content of this letter to the notice of your members. In this connection it is mentioned that sub-brokers already affiliated to the member broker and registered with SEBI ,may with mutual consultation enter into the revised agreement.

Please acknowledge the receipt of this letter.

Yours faithfully,

M.D. PATEL
EXECUTIVE DIRECTOR
SECONDARY MARKET DEPARTMENT

Encl:

i) Revised Model Agreement.
ii) Form 'B'.
iii)Form 'C'.
iv)Guidelines for filing the application.

cc to

a) Chairman's Secretariat.
b) All Executive Directors, Division Chiefs and Regional Managers of SEBI.
c) All SEBI Nominee Directors on the Board of Exchanges.
d) All Division Chiefs requested to circulate to all their officers.

AGREEMENT

This Agreement entered into this _______ day of _________ 199_ at _________________ between __________________, member broker of the ____________ Exchange, ordinarily carrying on business in sale and purchase of shares and securities in the name and style of ____________ from __________________ (hereinafter referred to as "the member broker") and ______________ a sub-broker ordinarily carrying on/ desiring to start business in shares and securities in the name and style of ___________ from _________________ (hereinafter referred to as "the sub-broker".)

WHEREAS the said member broker is a member of ___________ Stock Exchange (hereinafter referred to as "the Exchange") and also holds a certificate of registration granted under Rule 4 of the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Rules & Regulations, 1992 (hereinafter referred to as "the said Rules and Regulations"); AND

WHEREAS the sub-broker is affiliated to the member broker Shri _______________ and is eligible for grant of a certificate of registration granted under rule 5 of the said rules; AND

WHEREAS in terms of item (C) (4) of Schedule II under regulation 15(b) and item (m) of regulation 17 (1) of the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992 the sub-broker is required to enter into an agreement with the said member broker specifying the scope of their authority & responsibility, in relation to the business of dealing in securities between them.

NOW THEREFORE this agreement witnesseth as follows:

1. The member broker hereby acknowledges and confirms that the sub-broker is affiliated to him and that the sub-broker shall within the scope of the authority given under these presents, be entitled to act as a 'Sub-Broker' within the meaning and subject to SEBI(Stock Brokers & Sub-

Brokers) Rules,1992 as amended from time to time, between the said member broker and the investors for assisting the latter in buying, selling or dealing in securities through the said member.

2. The sub-broker may conduct business on behalf of his client with the member broker as may be mutually agreed upon and subject to such conditions as may be agreed to mutually between the member broker and the sub-broker. Such agreement shall not contravene any provisions of this agreement and said rules and regulation.
3. The member broker agrees that he shall not, except with the previous consent of the sub-broker, commit on the latter's behalf transactions in securities in excess of the amount mutually agreed upon in writing from time to time, being the aggregate value of such transactions agreed to be transacted during any settlement period of the stock exchange.

(4) (a) The Sub Broker has declared that he/it is also presently affiliated as Sub-Broker with the Broker(s) detailed hereunder-

1	2	3	4
Name of the affiliated Member broker	Name of Stock exchange	SEBI Reg. No. of the Broker.	SEBI Reg. No. of Sub-broker

(b) The Sub-broker has also declared that he/it has direct/indirect interest in the broker (s)/Sub-broker(s) detailed hereunder:

Name & SEBI Reg. No. of Broker(s) directly or indirectly related to the present Sub-broker.	Name & SEBI Reg. No. of Sub-broker(s) directly or indirectly related to the present Sub-broker.	Name & SEBI Reg. No. of Broker(s) with whom the Sub broker mentioned at column(2) is affiliated.	Name of the stock exchange .	Nature of interest.

The broker(s) mentioned under column (1) of para 4(a)& column(3) of para 4(b) has/have given No objection certificate(s)(NOC)to the present Sub-broker to get affiliated to the new broker M/S----------& seek registration with SEBI.

A Sub-broker is deemed to have direct/indirect interest in other Sub-broker(Broker) in following condition.

(i) Where he is individual, he or any of his relatives being a Sub-broker(Broker), he or any of his relative being partner in a Sub-Broking firm(Broking Firm), he or

any of his relative being a director in a Sub-broking Company(Broking Company) or he or any of his relatives clubbed together holding substantial equity in any Sub-broking Company.

(ii) Where it is Partnership Firm/Company, the relative(s) of partners/directors in the Firm/Company being a Sub-broker(Broker) or being partner(s)/director(s) in a Sub-broking Firm/Company(Broking Firm/Company) or the same set of shareholders holding substantial equity in other Sub-broking(Broking) entity.

iii. Relative shall mean husband, wife, brother, unmarried sister or any linear ascendant or descendent of an individual.

The affiliated broker through whom the Sub-broker has obtained registration with SEBI may withdraw his/its consent. It shall be the duty of the affiliated broker withdrawing his/its consent to inform all the brokers mentioned in the column 1 of para 4 (a), Column 3 of Para 4 (b) and the concerned Stock Exchange regarding his/its withdrawal of consent and details of the reason thereof. Information about default in payment/delivery and related aspects by the sub-broker shall also be brought to the notice of all these brokers and the concerned Stock Exchange by the affected affiliated broker. In case where defaulting sub-broker is corporate entity/partnership firm or any other artificial legal entity, then the name(s) of director (s)/promotor(s)/Partner(s) as the case may be, shall also be communicated to all the brokers mentioned under column 1 of Para 4(a) and Column 3 of Para 4(b) and the concerned Stock Exchange(s).

On withdrawal of consent, the sub-broker shall surrender his/its SEBI registration certificate which shall be forwarded to SEBI by the main broker alongwith all the fees in arrears in respect of sub-brokers registration as required under Part II of schedule 3 of SEBI (Stock Broker & Sub-broker) Regulation 1992. (Regulation 10).

(5) The sub-broker shall maintain separate books of accounts in respect of his dealings with each of affiliating member brokers and under no circumstances, he shall mix the funds received from or payable to the one member broker with that of another member brokers.

6. The member broker and the sub-broker agree that they shall abide by all the statutory responsibilities and obligations imposed on them by the said regulations and/or any other rules or regulations applicable to the members and sub-brokers in general either framed by the said Board or by the Exchange.
7. The member broker and the sub-broker shall abide by the code of conduct as specified in Schedule II of the said regulations or any amendment thereof;
8. (8) The member broker can having regard to the size of the business handled on behalf of the sub-broker ask the sub-broker to deposit such amount as may be mutually agreed upon for securing sub-broker's obligations to his clients and to the member broker. The deposit of the Sub-broker shall be utilised by the member broker only for discharging the liablities of the sub-brokers. On termination of the agreement ,deposit shall be refunded to the Sub-broker. If the member broker wants to retain a part of the deposit to meet the anticipated future liabilities on account of past transactions of the Sub-broker the same shall be immediately transferred by the broker to the stock exchange by way of deposit.

(9) The sub-broker and the member broker shall co-operate and help each other in removing objections for bad delivery of shares, rectification of bad delivery, etc. in respect of shares and securities delivered/to be delivered or received/to be received by the sub-broker from the member broker and vice-a-versa.

(10) The said member broker and the sub-broker agree that each of them shall ensure due protection to the investors regarding their rights to dividends, rights or bonus shares, etc. and neither of them shall jointly or severally do anything which is likely to harm the interest of investors with whom and for whom they may have had transactions in securities.

11. It shall be the responsibility of the member broker to inform the sub-broker and keep him apprised about trading/settlement cycles, delivery/payment schedules, any changes therein from time to time, and it shall be the responsibility in turn of the sub-broker to comply with such procedures of the said exchange of which the member broker is a

member.

12. The member broker shall maintain a separate record including accounts in respect of the dealings in securities entered into on behalf of the Sub-broker. The Sub-brokers if he holds or receives money on account of a client shall forthwith pay such money to current or deposit account at bank to be kept in the name of Sub-broker in the title of which the word "client" shall appear (hereinafter referred to as "client account").The Sub broker may if he/it desires ,keep one consolidated clients account for all the clients or account in name of each client as he thinks fit. If the Sub-broker receives a cheque or draft representing in part money belonging to client ,and in part money belonging to sub-broker, he shall pay the whole of such cheque or draft into the client account and effect subsequent transfer to his own account of such amount that rightly belongs to him .

    The broker and sub-broker shall reconcile their accounts at the end of each Quarter with reference to all the settlements where payouts have been declared during the quarter.

13. The member broker shall issue consolidated scrip-wise contract notes to the sub-broker in respect of all the scrips traded on behalf of the latter showing execution price of transaction and brokerage separately. The sub-broker, in turn, shall issue split confirmation memos to each of his clients within 24 hours of receipt of contract note from the main broker, wherein Sub-brokers SEBI registration number, the name of the member broker who has executed the order and member brokers SEBI registration number, the name of Stock Exchange , reference number of the consolidated contract notes of the member broker, the rate at which the sale or purchase is made and the brokerage shall be shown separately. There shall be a clear mention on the face of the confirmation memo that disputes with the sub-broker shall be brought to the notice of main broker by the client within 6 months from the date of dispute. Commission if any charged by the Sub-Broker shall not exceed one and one-half of one percent of the value mentioned in the respective sale or purchase note as required by Clause B(4)(C) of code of conduct under Regulation 15 of said Rules and Regulation, 1992. Also the Sum total of commission & Brokerage charged by the Sub Broker and the Broker shall not exceed the maximum brokerage as prescribed under the by-laws of the Stock exchange(s).

(14) The member broker and the sub-broker hereby agree that they will assist and co-operate with each other in ensuring faster settlement of any arbitration proceedings arising out of the transactions entered into on behalf of the sub-broker and would accept arbitration awards in respect of the transactions entered into on his behalf.

15. The member broker and the sub-broker agree that they shall mutually decide from time to time the volume of business which will be transacted during a settlement period by the member broker with the sub-broker and if the sub-broker is dealing with more than one member broker, then the agreed aggregate volume of business of the sub-broker including that with the other member broker(s), shall also be informed to all the affiliating member brokers.

(16) The member broker and the sub-broker hereby mutually agrees that:-

(a) all transactions in securities on behalf of the clients of the sub-broker shall be settled by delivery and/or payment, between the contracting parties in accordance with the provisions and bye-laws of the said exchange and subject to the procedures for settlement of transactions laid down by the authorities of the said exchange from time to time.

(b) the member broker and sub-broker shall not encourage sales/purchase with the object of generating brokerage/ commission.

(17) If any dispute arises between the member broker and the sub-broker the same shall as far as possible be settled with the help of the officials of the said exchange and if no such settlement is possible the parties hereby agree to refer such dispute to arbitration in accordance with the rules, byelaws and regulations of the said stock exchange. The member broker and the sub-broker hereby agree that they shall co-operate with the exchange officials and provide all relevant documents in their possession so as to expedite the settlement through arbitration process. If any dispute arises between Sub-Broker and client the same shall be brought to the notice of main broker within 6 months from the date of dispute and same shall as far as possible be settled with the help of member Broker failing which it shall be brought to the notice of exchange officials for resolution. If the dispute persists, the same shall then be referred to the arbitration in accordance with the rules, by-laws and regulations of the said stock exchange. The broker shall continue to be responsible for replacing bad deliveries in accordance with applicable "Good & bad delivery norms" even after termination of the agreement.

(18) Either party shall be entitled to terminate this agreement at will and without giving any reasons to the other party notice in writing of not less than six months at their respective addresses mentioned above. The above shall also be intimated to stock exchange and SEBI

(19) This agreement shall forthwith terminate;

(i) if the member broker for any reason ceases to be a member of the Exchange including cessation of membership by reason of the member-broker's death, resignation or expulsion or if the certificate issued by the Board is cancelled or suspended.

(i i) upon the demise/insolvency of the sub-broker or the cancellation or suspension of his/its registration with the Securities and Exchange Board of India.

iii. notwithstanding any such termination, all rights, liabilities and obligations of the parties arising out of or in respect of transactions entered into prior to the termination of this agreement shall continue to subsist and vest in/be binding on the respective parties or his/her/its respective heirs, executors, administrators, legal representatives or successors, as the case may be.

(20) The sub-broker agrees that he/it shall enter into detail agreement with all his/its clients & maintain database on the pattern of enclosed format specified in SEBI circular no. SMD/POLICY/CIR/5-97 dated April 11, 1997 and abide by the same.

IN WITNESS WHEREOF, the parties hereto have set their hands and signatures on the day, month and year first above written

Signed for and on behalf of Signed for and on behalf of

Broker : Sub-Broker :

By : By :

Signature : Signature :

Title : Title :

Witness : Witness :

INDIVIDUAL CLIENT REGISTRATION APPLICATION FORM

To,

XYZ (SUB-BROKER AFFILIATED WITH ABC MEMBER BROKER OF THE ____ STOCK EXCHANGE HAVING SEBI REGISTRATION NO INB_________)

Name :

Address :

SEBI Registration No :INS_____________.

Dear Sir,

We request you to register us as your client. In this regard the following information is furnished :

1. Name :
2. Address, Telephone/Fax numbers :

    a. Residence :

    b. Office :

10. Date of Birth :
11. Sex : Male/ Female
12 Educational Qualification : Photograph
13. Occupation :
14. Residential Status : Resident Indian/ Non- Resident Indian/Others
15. Particulars of the Bank Account

    - Name of the Bank
    - Branch (Address & Tel No)
    - Bank Account Number

(Please submit a letter from the banker certifying account number and the period from which this account is in operation)

9. Annual Income in last three years :
10. Income Tax No. (PAN/GIR) :
11. Market Value of portfolio as on _________ :
11. Whether registered with any other broker - member/Sub-broker :

Name of Broker /Sub-broker & affiliated broker:

Name of Exchange :

Client Code No. :

10. Introduced by :

- Name and Address :
- Signature :

11. Copy of any two of the following proof of identity should be submitted :

- Passport No, Place of Issue, Expiry Date
- Driving License
- Ration Card
- Voters Identity Card
- Copy of income tax return.

The information furnished above is true to the best of my knowledge and belief, and I undertake to inform you of any changes therein immediately in writing. I am agreeable to enter into an agreement to abide by your terms and conditions.

Place : Signature :

Date : Name :

Note :

1. Each client has to use one registration form. In case of joint names/family members please submit separate form for each person.
1. Original documents may be verified at the time of filing of application.
1. The information given above would be confidential. However, if the information is required by any government agency, it may be given to them.

NON- INDIVIDUAL CLIENT REGISTRATION APPLICATION FORM

To,

XYZ (SUB-BROKER AFFILIATED TO ABC MEMBER OF THE ______ STOCK EXCHANGE HAVING SEBI REGISTRATION NO.INB____________)

Name :

Address :

SEBI Registration No :INS_______________.

Dear Sir,

We request you to register us as your client. In this regard the following information is furnished :

1. Name of the Company/Firm :
2. Address, Telephone/Fax numbers :

a. Registered Office

b. Correspondence Office

3. Date of incorporation :
4. Date of Commencement of Business :
5. Copy of Memorandum and Articles of Association/Partnership Deed :
6. Details of Promoters/ Partners/ Key Managerial Personnel of the Company/Firm : (as per Annexure - A)
8. Copies of the Annual Report of last three years: (If company has not completed three financial years of its operation, copy of annual reports for such completed financial years.)
9. Net Worth (certified) as on ______________(Excluding Revaluation Reserves) :
10. Particulars of the Bank Account from which the Company will carry out the transactions :

    - Name of the Bank
    - Branch (Address & Tel No)
    - Bank Account Number

(Please submit a letter from the banker certifying account number and the period from which this account is in operation)

11. Income Tax Number of the Company :
12. Annual Income in the past three years :
13. Market Value of the Portfolio as on _________ :
14. Whether registered with any other broker - member/sub-broker :

Name of Broker /Sub-Broker & affiliated Broker:

Name of Exchange :

Client Code No. :

The information furnished above is true to the best of my knowledge and belief, and I undertake to inform you of any changes therein immediately in writing. I am agreeable to enter into an agreement to abide by your terms and conditions.

Place : Authorized Signatory with Seal :

Date : Name :

Note :

1. Original documents may be verified at the time of filing of application.
1. The information given above would be confidential. However, if the information is required by any government agency, it may be given to them.

Annexure - A (enclosed to the application form of)

1. Name :

Designation :

Residential Address & Telephone No. :

Qualification :

Experience :

Equity Stake :

Income Tax No. (PAN/GIR) : Photograph

Bank Account Details : (Name of the Bank, Address, Account No.)

\ny one of the following proof of identity should be submitted)

assport No.:

- Place of Issue :
- Expiry Date :

)riving License No :

ation Card No. :

Voters Identity Card :

Place : Signature :

Date : Name :

-

Checklist of Enclosures for Corporate Clients:

Details of the Corporate Entity :

1. Copy of Memorandum and Articles of Association.
2. Copies of Annual Reports of last three years.
3. Net Worth Certificate by a Chartered Accountant.
4. Letter from the Banker, certifying the Account Number and the period from which this Account is in operation.
5. Copy of Income Tax return.

Personal Details of Promoters/Directors :

1. Copy if Income Tax return.
2. Salary Certificate.
3. Proof of Residence (Copy of Passport/ Ration Card/ Driving Licence/ Voters Identity Card)
4. Letter from the Banker certifying the Account Number.

SUB-BROKER - CLIENT AGREEMENT

This agreement is made at ________ this _____ day of __________ between XYZ (Sub-broker affiliated with ABC member broker of ______ stock exchange having SEBI Registration No.:INS_____________), hereinafter called Sub-broker and having his registered office at ________, and __________ - a individual/ company/ trust/ firm or any other body duly formed and registered under the relevant Act, hereinafter called the CLIENT, having it's residence/registered office at ____________________ .

WITNESSTH :

Whereas the Sub-broker is affiliated to ________ TRADING MEMBER of _________ Stock Exchange having SEBI Registration No. : __________ .

Whereas the CLIENT is desirous of investing/ trading in those securities admitted for dealing on the Exchange as defined in the Bye-Laws of the Exchange.

Whereas the CLIENT has satisfied itself of the capability of the Sub-broker to deal in securities and wishes to execute his orders through him and the CLIENT shall continue to satisfy itself of such capability of the Sub-broker before executing orders through him.

Whereas the Sub-broker has satisfied and shall continuously satisfy himself about the genuineness and financial soundness of the CLIENT and investment objectives relevant to the services to be provided.

Whereas the Sub-broker has taken steps and shall take steps to make the CLIENT aware of the precise nature of the Sub-broker liability for business to be conducted, including any limitations on that liability and the capacity in which it acts.

In consideration of the mutual understanding as set forth in this agreement, the parties thereto have agreed to the following terms and conditions :

1. The provisions of this agreement shall always be subject to Government notifications, any rules, regulations and guidelines issued by SEBI and Stock Exchanges rules, regulations and bye-laws that may be in force from time to time.
2. In the event of death or insolvency of the client or his otherwise becoming incapable of receiving and paying for or delivering or transferring securities which the client has ordered to be bought or sold, Sub-broker may close out the transaction of the client and the client or his legal representative shall be liable for any losses, costs and be entitled to any surplus which may result therefrom.
3. The agreement entered into between the Sub-broker and the CLIENT shall stand terminated by mutual consent of the parties by giving at least one month written notice. Such cancellation or termination shall not have any effect on transaction executed before the date of such notice of termination and the parties shall enjoy the same rights and shall have same obligations in respect of such transactions.
4. The instructions issued by an authorized representative of the client shall be binding on the client in accordance with the letter authorizing the said representative to deal on behalf of the client.
5. The Stock Exchange may cancel a trade suo-moto without giving any reason thereof. In the event of such cancellation, Sub-broker shall be entitled to cancel relative contract(s) with CLIENT.
6. All trades, transactions and contracts are subject to the Rules and Regulations of the Exchange and shall be deemed to be and shall take effect as wholly made, entered into and to be performed in the city of _______ and the parties to such trade shall be deemed to have submitted to the jurisdiction of the Courts in ________ for the purpose of giving effect to the provisions of the Rules and Regulations of the Exchange. If any dispute arises between Sub-Broker and client the same shall be brought to the notice of main broker within 6 months from the date of dispute and same shall as far as possible be settled with the help of member Broker failing which it shall be brought to the notice of exchange officials for resolution. If the dispute persists, the same shall then be referred to the arbitration in accordance with the rules, by-laws and regulations of the said stock exchange. The broker shall continue to be responsible for replacing bad deliveries in accordance with applicable "Good & bad delivery norms" even after termination of the agreement.

IN WITNESS THEREOF, the parties to agreement have caused these presents to be executed as of the day and year first above written.

Signed for and on behalf of

Sub-broker : **CLIENT** :

By : By :

Signature : Signature :

Title : Title :

Witness : Witness :

FORM - B

SECURITIES AND EXCHANGE BOARD OF INDIA

tock Brokers and Sub-Brokers)Regulations 1992

legulation II)

.PPLICATION FOR REGISTRATION AS A SUB-BROKER

VITH SECURITIES AND EXCHANGE BOARD OF INDIA

.. Name of applicant Sub-Broker :

2. Trade Name of Sub-broker,

Firm,Corporate Body :

3. Form of organisation

Sole Proprietor, Partnership,

Corporate Body. Please give

names of proprietor, all partners

directors etc. :

4. Educational qualifications of

proprietor, partners, directors :

Name Status Qualifications

5. Name of the member-broker &

Stock Exchange to which

applicant is affiliated :

6. Date of acquiring sub-brokership :

7. Infrastructure arrangements -

indicate fax, telex, phones,

number of offices and residential

numbers. Also indicate the number

of employees. :

Office Address :

Phone No. :

Telex No. :

Fax No. :

Residential Phone Nos. of :

Proprietor, Partners, Directors etc.

8. Number of branch offices and

their location with phone, telex

an x numbers. :

I certify that the information given in this application form is true to the best of my knowledge and belief.

Recommendation letter from the Stock Broker to whom I/We am/are affiliated and two references, including one from the Banker as required are enclosed.

Signature ....

Date ....

P.T.O.

Recommendation of Stock Exchange

This is to certify that .... is a

sub-broker affiliated to ....

member broker of this exchange.

The application is recommended/not recommended for gistration by the Board.

AUTHORISED SIGNATORY Signature

Stock Exchange

FORM C

SECURITIES AND EXCHANGE BOARD OF INDIA

(Stock Brokers and Sub-Brokers)Regulations 1992

RECOMMENDATION LETTER TO BE GIVEN TO THE MEMBER

WITH WHOM THE SUB-BROKER IS AFFILIATED

To.

The ________________________________ Stock Exchange

Dear Sirs,

I/We understand that _______________ Son ________________ aged_________ years, residing at _________________________ and attached to me at _______________ for carrying on the shares and securities business as a sub-broker. I/We confirm that _______________ is transacting business through me for a period from ________________ and he is a fit and proper person to be registered as a sub-broker.

I/We also confirm that he is known to me/us for well over ______ years and he has got good financial background, moral character and integrity. He has been transacting business frequently and was meeting the market commitments as and when they arise.

I/We hereby recommend his application for granting registration for carrying on shares and securities business as sub-broker. I/We also wish to state that whatever the information that has been submitted is true to the best of my/our knowledge and if at a later date if any material information comes to my/our knowledge subsequent to the submission of this application, I/We undertake to keep informed about the same.

..2

I/We member/s of ______________________ Exchange hereby agree to recommend the above mentioned applicant.

Yours faithfully,

Signature of Member/s

SR. EXECUTIVE DIRECTOR

SECONDARY MARKET DEPARTMENT

NO.SMD/OPG/AA/1020/96

March 14, 1996

The Executive Director/President

All Stock Exchanges

Dear Sir,

SUB: REGISTRATION OF SUB-BROKER

As you are aware, sub-brokers are required to obtain certificate of registration from Securities and Exchange Board of India in accordance with regulations made under section 12(1) of SEBI Act, 1992 without which they are not permitted to buy, sell or deal in securities. The applications from sub-brokers were invited in May, 1992 through recognised Stock Exchanges for registration with SEBI. A large mber of applications were received and registration granted to approximately 1200 applicants ... e requirements.

is felt that a large number of sub-brokers still are not registered with SEBI and therefore carrying out ieir activities without any valid legal sanction. SEBI at its end has started returning all incomplete pplications directly to the applicants. Those who were already in the business of sub-broking and had pplied for registration before 21st May, 1992 are being advised to re-submit their applications complete n all respects within two months failing which it shall be construed that they are acting as sub-brokers vithout holding certificates of registration in violation of section 12(1) of SEBI Act, 1992. The applicants vho had applied after 21st May, 1992, are being advised to stop the business of sub-broking immediately vhich can be re-started after they are duly registered with SEBI.

We have devised guidelines for making applications complete in all respects. A copy of the same is being enclosed for your perusal. Co-operation from the Stock Exchanges will help us immensely in registering and regulating this class of capital market intermediaries.

... 2/-

We request you to keep sufficient stock of Form 'B' (application form for registration as sub-broker) and Form 'C'(recommendation letter to be given by the member with whom the sub-broker is affiliated), for free distribution amongst applicants. We are enclosing a copy of these forms. In September, 1993, we had sent a copy of model agreement advising you to circulate the same amongst your members. This agreement between broker and sub-broker specifies the scope of their rights and liabilities. A copy of the same is once again being enclosed with a request that sufficient number of copies may be kept available and supplied to desirous applicants.

We advise you to bring the contents of this letter to the notice of your members by suitable display on your notice board. Applicants who had applied earlier and not heard anything from SEBI may be advised in their own interest to make fresh application complete in all respects in accordance with attached guidelines. Doing business with unregistered sub-broker, in future, will be viewed seriously and penal action taken.

Kindly acknowledge receipt of this letter.

Yours faithfully,

Sd/-

O. P. GAHROTRA
SR.EXECUTIVE DIRECTOR

Encl: A.A.

GUIDELINES FOR FILLING THE APPLICATION

1. Application should be in form 'B' duly singed by applicant/ all partners/duly authorised partners as per partnership deed or authorised directors.
1. Form B & C is contained in SEBI publication SEBI (Stock Brokers & Sub-brokers) Rules and Regulations 1992 & are available on *Monday, Wednesday, Friday between 10.30a.m. to 12.30p.m.for R.s. 10/- by hand delivery or Rs. 19/- extra for Registered Postal Charges. Payment shall be made in terms of Demand Draft only*. The address is as follows :

Securities and Exchange Board of India

Earnest Hose, 15th Floor

194, Nariman Point

Mumbai - 400 021

All Stock Exchanges have been requested by SEBI to keep sufficient stocks of form 'B' & 'C' for use of their Sub-brokers.

1. Age should not be less than 21 years of individual/partners/directors.
1. Application has to be submitted through respective Stock Exchanges after due recommendation by the broker and the Exchange.
1. Minimum qualification of the applicant/partners/directors should be 10 + 2.
1. Main broker's recommendation should be in form 'C' in favour of individual/partnership firm (not individual partners)/corporate body (not individual directors).
   Two reference letters including one from the *applicant's banker* in favour of the applicant should invariably be attached.
1. Registration fee of ***Rs.1000/- by demand draft*** in favour of SEBI payable at Bombay should be enclosed.
1. Declaration to the effect that the applicant/partners/its directors have not been convicted of any offence and presently they are not on trail for any offence involving fraud or dishonesty should be attached.
1. Copy of the partnership deed/Memorandum and Articles of Association stating relevant clause permitting the applicant to carry on the business of sub-broking should be attached.
1. Agreement should be between broker and applicant (Not with partners or individual directors of the company). The SEBI registration certificate entitles the Sub-broker to carry out his transaction only with the broker who has recommended his application for registration by signing Form'C'.If Sub-broker is desirous of carrying out business with more than one Sub-broker ,he will have to seek seperate registration in all cases after obtaining NOC from all the previous brokers & entering into a new agreement.
1. A copy of resolution appointing new directors/ retirement of old directors should be attached.
1. An undertaking should be submitted that applicant will deal directly with investors and not through any other sub-broker on being registered with SEBI.

Unique client code

Jul 18, 2001 | Circulars

SECURITIES AND EXCHANGE BOARD OF INDIA
SECONDARY MARKET DEPARTMENT
Mittal Court, B Wing, First Floor,
224, Nariman Point, Mumbai 400 021

SMDRP/Policy/CIR-39/2001
July 18, 2001

The Executive Director / Managing Director
Of all the Stock Exchanges

Sir/Madam,

Sub:- Unique client code

Pursuant to the discussions in the meeting of the Group on Risk Management Systems for the Equity Markets held on May 02, 2001, it was decided that every investor should have a unique ID.

In this regard, it will be mandatory for all brokers to use unique client codes for all clients. For this purpose, brokers shall collect and maintain in their back office the Permanent Account Number (PAN) allotted by Income Tax Department for all their clients. Sub-brokers will similarly maintain for their clients. Where an individual client does not have PAN number, such a client shall be required to give a declaration to that effect. In such an event, until the PAN number is allotted such client shall furnish passport number and place & date of issue. Where the client does not have a PAN number or a passport, such client shall furnish driving licence number, place & date of issue. If none of the above are available, the client shall give his voter ID number. The above requirement shall be applicable for clients having order value of Rs.1 lakh or more and shall be enforced w.e.f. August 01,2001.

In the case of other entities, the following procedure shall be adopted :

1. For FIIs, (where FII, itself is the investing entity) and their sub-accounts, SEBI registration number for FIIs and sub-account shall be used until the PAN No. is allotted.
2. For tax paying body corporates, the unique registration number issued by the relevant regulatory authority shall be used till the time the PAN is allotted. Regulatory authorities may be Department of Company Affairs, Securities and Exchange Board of India, Reserve Bank of India, Insurance Regulatory Development Authority, etc.
3. For non-tax paying entities other that mutual funds, such as societies, charitable trusts etc. the unique registration no. allotted by the relevant regulating authority of these entities shall be used until the PAN number is allotted
4. For mutual funds SEBI would be issuing an ID no. for schemes both past one and the new ones. This number would be used in the schemes along with the mutual funds.
5. Brokers shall verify the documents with respect to the unique code and retain a copy of the document.
6. The brokers shall also be required to furnish the above particulars of their clients to the stock exchanges/clearing corporations and the same would be updated every quarter.
7. The stock exchanges shall be required to maintain a database of client details submitted by brokers. Historical records of all quarterly submissions shall be maintained for a period of seven years by the exchanges.

The Exchanges are advised to direct members to include a new clause no. 7 as given below in the format of the Member-Client Agreement prescribed by our earlier circular dated April 11, 1997 as given below:-

"The member hereby undertakes to maintain, the details of the client as mentioned in the client registration form or any other information pertaining to the client, in confidence and that he shall not disclose the same to any person / entity except as required under the law, with prior intimation to SEBI."

The Exchanges are also advised that the following clause be made a part of the bye-laws, rules, regulations of the Exchange:-

"The Stock Exchange shall maintain the details of the clients of the members in confidence and that it shall not disclose to any person / entity such details of the client as mentioned in the client registration form or any other information pertaining to the client except as required under the law or by any authority."

Further the brokers shall maintain and preserve for a period of seven years a mapping of client IDs used at the time of order entry in the trading system with those unique client IDs along with client name, address and other particulars given in the Know Your Client form.

The Stock Exchanges shall ensure that all the brokers comply with the above requirements.

Yours faithfully,

P K Kuriachen
General Manager
Secondary Market Depository,
Research & Publications Department
e-mail : kuriachen@sebi.gov.in

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

परिपत्र
CIRCULAR

सेबी भवन, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051
SEBI Bhavan, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051

CHIEF GENERAL MANAGER

Market Intermediaries Regulation

& Supervision Department

Ph : 22164428/29/38 Fax: 22164394/4482

SEBI/MIRSD/DPS-1/Cir-31/2004

August 26, 2004

The Executive Directors/Managing Directors/Administrators

of All Stock Exchanges

Dear Sir/Madam,

Sub:- Uniform Documentary Requirements for trading.

1. SEBI had prescribed the uniform formats of client Registration Form and broker clients agreements vide its circular no. SMD/POLICY/CIRCULARS/5-97 dated April 11, 1997. Format of the broker-sub broker agreement was prescribed vide circular no. SMD/POLICY/CIRCULAR/11 -97 dated May 21st, 1997. Model Format of Risk Disclosure Documents was prescribed vide SEBI Circular no. SEBI/MRD/SE/Cir- 37/2003 dated September 30, 2003. Apart from the above, Clients Registration forms, clients' agreements and Risk Disclosure Documents for Derivative Segments were prescribed vide SEBI Circular No. FITTC/DC/CIR-3468/98 dated December 03, 1998.

2. In order to bring about uniformity in documentary requirements across different segments and exchanges and also to avoid duplication and multiplicity of documents, SEBI in consultation with stock exchanges (BSE and NSE) has formulated uniform set of documents which are listed below:

   2.1 Client Registration Form (Uniform across all the segments and exchanges where the broker is trading on different segments and exchanges)-**Annexure-1**.

   2.2 Member Clients Agreements. (Uniform across all the segments of an exchange. However a separate agreement in the same format would be required for each of the exchanges where the broker is trading on different exchanges)- **Annexure-2**.

2.3 Model Tripartite Agreement between Broker-Sub broker and Clients (Applicable only in cash segment and a separate agreement in the same format would be required for each of the exchanges)- **Annexure-3**.

2.4 Uniform Risk Disclosure Documents. (Uniform across all the segments and exchanges).- **Annexure-4**.

2.5 Broker Sub broker agreement.- **Annexure-5**.

3. It may be noted however that the documents prescribed in Annexure-"1" to "5" as above are model formats. The stock exchanges/stock broker may incorporate any additional clauses in these documents provided these are not in conflict with any of the clauses in the model document, as also the Rules, Regulations, Articles, Byelaws, circulars, directives and guidelines.

   As regards the client registration form, it is reiterated that it shall be the responsibility of the stock broker to satisfactorily identify his clients. For the purpose, the stock broker may also seek additional information, if any, so as to satisfy himself about the antecedents of the client. It would be broker's responsibility to provide clients details as and when required.

4. The requirement of obtaining Client Registration Form may be waived for SEBI registered Foreign Institutional Investor, Mutual Funds, Venture Capital Funds and Foreign Venture Capital Investors, Scheduled Commercial Banks, Multilateral And Bilateral Development Financial Institutions, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory Development Authority (IRDA) and Public Financial Institution as defined under section 4A of the Companies Act, 1956. Further the stock broker and these clients may at their discretion, decide about the requirement of entering into broker-client agreement and bringing the contents of Risk Disclosure Document to the notice of such clients.

5. Stock Exchanges are directed to implement the above requirements, except as laid down in para 2.3 with immediate effect. Requirement relating to tripartite agreement between broker-sub broker and clients of sub broker as stated under para 2.3 will come into effect from December 01, 2004.

6. The undersigned has been authorized to direct the exchanges to:

   6.1 make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately.

   6.2 bring the provisions of this circular to the notice of the member brokers and also to disseminate the same on the website.

   6.3 communicate to SEBI, the status of the implementation of the provisions of this circular in the Monthly Development Report.

7. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market

Yours faithfully,

USHA NARAYANAN