

DRAFT FOR PUBLIC COMMENTS

Securities and Exchange Board of India (Intermediaries) Regulations, 2007

In exercise of the powers conferred by section 30, read with sections 11 and 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) and section 25 of the Depositories Act, 1996 (22 of 1996) the Board hereby makes the following regulations, namely: -

CHAPTER I

PRELIMINARY

Short title and commencement

1. (1) These regulations may be called the Securities and Exchange Board of India (Intermediaries) Regulations, 2007.
- (2) They shall come into force on the dates specified by the Board by notification in the Official Gazette:

Provided that different dates may be specified in respect of different classes of intermediaries.

Definitions

2. (1) In these regulations, unless the context otherwise requires, -
 - (a) “**Act**” means the Securities and Exchange Board of India Act, 1992 (15 of 1992);
 - (b) “**associate**” means and includes any person controlled, directly or indirectly, by the intermediary, any person who controls, directly or indirectly, the intermediary, or any entity or person under common control with such intermediary, or where such intermediary is a natural person any relative as defined under the Companies Act, 1956 (1 of 1956) of such intermediary or where such intermediary is a body corporate its group companies or companies under the same management;

- (c) **“body corporate”** shall have the same meaning as under clause (7) of section 2 of the Companies Act, 1956 (1 of 1956);
- (d) **“certificate”** means a certificate of registration granted to an intermediary by the Board under regulations made under the Act;
- (e) **“change of status or constitution”** in relation to an intermediary -
- i. means any material change in its status or constitution of whatsoever nature; and
 - ii. without prejudice to the generality of sub clause (i) , includes-
- (a) amalgamation, demerger, consolidation or any other kind of corporate restructuring falling within the scope of section 391 of the Companies Act 1956 (1 of 1956) or the corresponding provision of any other law for the time being in force or any agreement or arrangement entered into by the intermediary with any third party which would have the effect of such corporate restructuring; and
- (b) any change in control of the intermediary;
- (g) **“control”** in relation to an intermediary being a body corporate, shall have the same meaning as under clause (c) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;
- (h) **“economic offence”** means an offence under any of the Act mentioned in Schedule appended to Economic Offences (Inapplicability of Limitation) Act, 1974 (12 of 1974) and includes an offence under the Act or the Securities Contracts (Regulation) Act, 1956 or the Companies Act, 1956 or the Depositories Act, 1996 ;
- (i) **“Form ”** means the form as specified in **Schedule I**;
- (j) **“intermediary”** means a person referred to in clauses (b), (ba) and (c) of sub-section (2) of section 11 or sub-section (1) or sub-section (1A) or sub-section (1B) of section 12 of the Act and includes an asset management company in relation to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, and a foreign venture capital investor registered with the Board under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000;

- (k) **“inspecting authority”** means one or more persons appointed by the Board to exercise powers conferred under **Chapter IV**;
- (l) **“principal officer”** principal officer " means –
- (i) proprietor, in the case of a proprietary concern,
 - (ii) partner, in the case of a partnership firm,
 - (iii) whole time / executive director in the case of a body corporate,
 - (iv) trustee in case of a trust
 - (v) any employee who is designated as such
- who is responsible for the activities of an intermediary;
- (m) **"relevant regulations"** means any of the regulations made by the Board as may be applicable to an intermediary ;
- (n) **“Schedule”** means a schedule appended to these regulations;
- (2) Words and expressions used and not defined in these regulations shall have the meanings, under the Act; or the Securities Contracts (Regulation) Act, 1956 or the Companies Act, 1956 or the Depositories Act, 1996 or under the rules or regulations made thereunder.

CHAPTER II

REGISTRATION OF INTERMEDIARIES

Application for grant of certificate of registration:

3.(1). On and from the commencement of these regulations, an application by a person, for grant of a certificate of registration to act as an intermediary, shall be made to the Board in Form given in Schedule I alongwith such additional information as is required under the relevant regulations and shall be accompanied by a non-refundable application fee, as specified in the relevant regulations.

(2) The information contained in Part I of the Form shall also be uploaded by the applicant on the website specified by the Board and shall be disclosed to the public.

(3). Notwithstanding anything contained in sub-regulation (1), any application made by an intermediary prior to commencement of these regulations containing such particulars or as near thereto as mentioned in Form and additional information required under the relevant regulations and pending with the Board as at such commencement shall be treated as an application made in pursuance of sub-regulation (1) and dealt with accordingly:

Provided that the Board may require any such applicant to upload the information in Part I of the Form on the specified website within the time allowed by the Board.

(4) An intermediary which was granted a certificate under the relevant regulations may continue to act as such, subject to the following –

(a). where the certificate was granted for a limited period, an application for grant of certificate under sub-regulation (1) shall be made by the intermediary at least three months prior to the expiry of the certificate or three months prior to expiry of two years from the commencement of these regulations, whichever is earlier and if the intermediary fails to do so, it shall cease to act as an intermediary on and from such expiry;

(b) in any other case, the intermediary shall furnish information in Form IM of Schedule I to the Board within two years of commencement of these regulations and upload the information in Part I thereof on the specified website.

(5) An intermediary falling under clause (b) of sub-regulation (4) shall be deemed to have been granted registration under these regulations, subject to compliance with that clause.

(6). The other relevant information furnished by the intermediary which relate to commercial confidence, trade secrets and private information of the intermediary shall be given in Part II of the Form and such information shall be treated as confidential by the Board.

(7). Any material change in the information furnished or uploaded under sub-regulation (4) or furnished under sub-regulation (5) shall be updated on prompt basis.

(8) An applicant may carry on the activity of one or more intermediary only if he obtains separate certificate of registration for each such activity unless specifically permitted under the relevant regulations.

Application to conform to the requirements

4. Any application, which:

- (i) is not complete in all respects and does not conform to the instructions specified in Form and requirements specified in relevant regulation as applicable, or
- (ii) does not contain such additional information as required by the Board, or
- (iii) is incorrect, false or misleading in nature;

shall be rejected by the Board:

Provided that before rejecting any such application, the applicant shall be given an opportunity to remove within the time specified such objections as may be indicated by the Board to the applicant.

Provided further that where an application is rejected for the reason that it contains false or misleading information, the applicant shall not make any other application under these regulations or the relevant regulations for a period of one year from the date of such rejection.

Furnishing of information, clarification and personal representation

5. (1) The Board may require the applicant to furnish further information or clarifications, regarding matters relevant to the activity of such an intermediary or which may otherwise be considered necessary by the Board, to consider and dispose of the application.

(2) The applicant shall furnish such information and clarification to the satisfaction of the Board and within the time specified in regulation 4.

Consideration of application and grant of the certificate

6. For considering the eligibility of the applicant and grant of a certificate of registration to such applicant, the Board shall take into account all matters which it deems relevant to the activities in the securities market, including but not limited to the following requirements:

- (i) whether the applicant is in compliance with the eligibility requirements as set out under these regulations;
- (ii) whether the applicant is an entity eligible to act as relevant intermediary as specified in the relevant regulations;
- (iii) whether the applicant is in compliance with the additional eligibility requirements as applicable to an intermediary under the relevant regulations ;
- (iv) whether the applicant or any of its associate have in the past been refused registration by the Board and if so, the ground for such refusal ;
- (v) whether the applicant is a fit and proper person ,

- (vi) whether its principal officer has the requisite qualification or experience as stipulated under the relevant regulations applicable to such intermediary;
- (vii) whether the applicant, its directors or partners, or trustees, as the case may be or its principal officer is involved in any pending litigation connected with the securities market which has an adverse bearing on the business of the applicant or on development or functioning of the securities markets;
- (viii) whether the applicant, its director, partner or principal officer has not at any time been convicted of any offence involving moral turpitude or has been found guilty of any economic offence;
- (ix) whether the grant of a certificate to the applicant is in the interest of the investors and the development of the securities market.

Explanation- For the purposes of clause (v), the criteria specified in Schedule II shall apply to an applicant or an intermediary as the case may be.

Procedure for Registration:

7. (1) The Board on being satisfied that the applicant is eligible shall grant a certificate in Form B as specified in the relevant regulations and send an intimation to the applicant;

Provided that where a pending proceeding before the Board or any Court or Tribunal may result in suspension or cancellation of registration, the Board may give a conditional registration.

(2) When an intermediary wishes to commence a new activity which requires a separate registration under the relevant regulations, it shall not be required to make an application under these regulations;

Provided that such intermediary has already filed the information specified in the Form and uploaded Part I thereof in the specified website:

Provided further that such intermediary shall make an application under the relevant regulations relating to the proposed activity.

Conditions of certificate of registration:

10. (1) Any registration granted by the Board to an intermediary shall be subject to the following conditions, namely:—

- (i) where the intermediary proposes to change its status or constitution, it shall obtain prior approval of the Board for continuing to act as such intermediary after such change in status and constitution;
 - (ii) it shall pay the fees for registration as applicable;
 - (iii) it shall abide by the provisions of the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and any rules and regulations made and directions, instructions and circulars as may be issued by the Board there under;
 - (iv) it shall satisfy the criteria of fit and proper person as specified in Schedule II ,
 - (v) continuous compliance with Regulation 6;
 - (vi) it shall comply with the eligibility criteria and other requirements as specified in the relevant regulations;
- (2) Nothing contained in clause (i) of sub-regulation (1) shall affect the obligation of the intermediary to obtain a fresh registration under section 12 of the Act in cases where it is applicable.
- (3) An application made for prior approval under clause (i) of sub regulation (1) shall be disposed of by the Board within a period of 60 days and where the decision of the Board has not been communicated to the intermediary within the said period of 60 days, the prior approval shall be deemed to have been granted.
- (4) An application made for prior approval under clause (i) of sub regulation (1) shall contain the information mentioned in the Form in respect of the intermediary after the proposed change and such information shall be uploaded in the website specified by the Board.

Procedure where the certificate is not granted.

11. Where an application for grant of a certificate does not confirm to the eligibility criteria and other requirements as set out in these regulations or other relevant regulations, the Board may reject the application after giving an opportunity of being heard and communicate the decision with reasons in writing.

Effect of refusal to grant certificate

12.(1) An applicant or an intermediary, whose application for registration has been refused, shall, on and from the date of receipt of communication from the Board under regulation 11, cease to carry on any activity as such intermediary.

(2) Where an intermediary has been refused grant of registration, it shall transfer its activities to another intermediary registered with the Board to carry on the same activity and allow its clients to withdraw their securities or funds held in its custody without any additional cost to the client.

(3) Where the intermediary has failed to make an application under sub-regulation (3) of regulation 3, the intermediary shall:

- (i) cease to act as such intermediary;
- (ii) transfer its business to another intermediary registered with the Board and allow its clients to withdraw their securities or funds held in its custody without any additional cost to the client;
- (iii) take such other action, within such time period and in the manner, as may be required under the relevant regulations applicable to such intermediaries and shall be subject to such directions of the Board including directions relating to any records, documents or securities or monies of the investors that may be in its custody or the control and also as to provision of such liability as may have been assumed at the time the intermediary was registered.

Effect of Surrender, cancellation or refusal of grant of registration

13. (1) Where an intermediary is desirous of giving up its activity and surrendering its certificate, it shall make an application for surrender to the Board.

(2) While disposing any application made under sub-regulation (1) or cancellation or suspension or refusal of registration, the Board may require the intermediary to satisfy it as to –

(a) the arrangements made by the intermediary for preservation of records and other documents required to be maintained by the relevant regulations for the requisite time period;

(b) redressal of investor grievances;

(c) transfer of records, funds or securities of its clients;

(d) where the business is of continuing nature, the arrangements made by it for ensuring continuity of service to the clients.

(3) While accepting a surrender of registration, or cancellation or suspension or refusal of registration, the Board may impose such conditions upon the intermediary as it deems fit for protection of the investors or clients of the intermediary and such intermediary shall comply with such conditions, notwithstanding that its certificate has been surrendered.

Period of validity of certificate

14. Subject to the provisions of the Act, these regulations, the relevant regulations and the obligations of payments of fees as specified in the relevant regulations, the registration granted by the Board shall be permanent.

CHAPTER III

GENERAL OBLIGATIONS OF INTERMEDIARIES

General Obligations

15. (1) An intermediary shall comply with all its obligations and responsibilities and the eligibility criteria on a continuous basis under these regulations and relevant regulations.

(2) Each intermediary shall prominently affix a photocopy of its registration certificate at each office/branch where any public interaction with investor is expected.

(3) The intermediary shall also prominently display the name and contact details of the compliance officer to whom complaint may be made in the event of any investor grievance.

Redressal of investor grievances.

16. (1) An intermediary shall maintain records regarding the investor grievances received by such intermediary and redressal of such grievances.

(2) The intermediary shall quarterly upload information about the number of investor grievances received, redressed and those remaining unresolved beyond three months on the website specified by the Board for information of the investors.

Appointment of Compliance Officer.

17. (1) An intermediary shall appoint a compliance officer who shall be responsible for monitoring the compliance of the intermediary with the Act, rules and regulations, notifications, guidelines, instructions, etc. made or issued by the Board or the Central Government, or the rules, regulations and bye-laws of the concerned stock exchanges, or the self regulatory organization, where applicable.

(2) The compliance officer shall report to the Board, in writing, of any serious non-compliance by the intermediary observed by him setting out the details of such non-compliance, and remedial measures if any that are proposed to be taken by such intermediary to correct the non-compliance.

Investment Advice

18. (1) An intermediary 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 long or short position in the said security has been made, while rendering such advice.

(2) If an employee of the intermediary is rendering such advice, the intermediary shall ensure that while rendering such advice he discloses his interest, the interest of his dependent family members and that of the employer including employer's long or short position in the said security.

Code of Conduct

19. An intermediary shall, at all times, abide by the code of conduct as specified in Schedule III.

CHAPTER IV

INSPECTION AND DISCIPLINARY PROCEEDINGS

Power to call for information

20. The Board may call for information from the intermediary, its principal officer, compliance officer, an issuer or its director, an investor or other client of the intermediary or any other person associated with securities market.

Right of inspection by the Board.

21. (1) Without prejudice to section 11C of the Act, the Board may appoint one or more persons as inspecting authority to undertake the inspection of the books of account, records including telephone records and electronic records and documents of an intermediary for any purpose, including the purposes as specified under sub-regulation (2).

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

- (i) to ensure that the books of account, records including telephone records and electronic records and documents are being maintained and valuations are being done in the manner as required under the relevant regulations;
- (ii) to ascertain whether adequate internal control systems, procedures and safeguards have been established and are being followed by the intermediary to fulfill its obligations as such intermediary under the relevant regulations;
- (iii) to ascertain whether any circumstances exist which would render the intermediary unfit or ineligible;
- (iv) to ascertain whether the provisions of the Act, rules and regulations, the provisions of the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and the rules and regulations made or directions or circulars issued there under are being complied with ;
- (v) to inquire into the complaints received from investors, other market participants or any other person on any matter having a bearing on the activities of the intermediary;
- (vi) to inquire *suo moto* into such matters as may be deemed fit in the interest of investors or the securities market; and

Notice before inspection

22.(1) Before undertaking an inspection under regulation 21, the Board shall give a reasonable notice to the concerned intermediary:

Provided that where the Board is satisfied that in the interest of the investors no such notice should be given, it may by an order in writing dispense with such notice.

(2) During the course of inspection, the intermediary shall be bound to discharge its obligations as provided under regulation 23.

Obligations of Intermediary on inspection

23. (1) It shall be the duty of every director, proprietor, partner, trustee, officer, employee and any agent of an intermediary who is being inspected, to produce to the inspecting authority such books, accounts, records including telephone records and electronic records and documents in his custody or control and furnish him with such statements and information relating to its activities within such time as the inspecting authority may require.

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

(3) Without prejudice to the provisions of sub-section (3) of section 11 of the Act, the inspecting authority shall, in the course of inspection, be entitled to examine or record statements of any principal officer, director, trustee, partner, proprietor or employee of such intermediary.

(4) It shall be the duty of every director, proprietor, trustee, partner, officer or employee of such intermediary to give to the inspecting authority all assistance which the inspecting authority may reasonably require in connection with the inspection.

Submission of report to the Board.

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

Appointment of Auditor or valuer.

25. (1) The Board may appoint a qualified auditor to inspect the books of account or the affairs of an intermediary:

Provided that the auditor so appointed shall have the same powers of the inspecting authority as are mentioned in regulation 22 and the obligation of the intermediary and its employees in regulation 23 shall be applicable to the inspection under this regulation.

Explanation: For the purposes of this sub-regulation, the expression "qualified auditor" shall have the meaning derived from section 226 of the Companies Act, 1956 (1 of 1956).

(2) The Board may appoint a valuer or direct a valuer to be appointed by the intermediary, if so required in the interest of investors.

(3) The expenses of such audit under sub-regulation (1) or valuation under sub-regulation (2) shall be borne by the intermediary.

CHAPTER V

PROCEDURE FOR ACTION IN CASE OF DEFAULT

Cancellation or suspension of registration or other actions.

26. (1) The registration granted under these regulations or relevant regulations to an intermediary which –

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

(b) contravenes any of the provisions of the Act, the Securities Contracts (Regulation) Act, 1956 or the Depositories Act, 1996 or rules or the regulations made or directions, instructions or circulars issued thereunder -

may be cancelled or suspended or other action by way of minor or major penalty may be imposed upon the intermediary by the Board in accordance with the provisions of the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002.

(2) Nothing contained in this regulation shall be deemed to prejudice the operation of sections 11, 11B, 11D and 24 and Chapter VIA of the Act, sections 12A, 21A, 23, 23A, 23C, 23E, 23H and 23M of the Securities Contracts (Regulation) Act, 1956 Act, and sections 19, 19A, 19B, 19C, 19D, 19E, 19F, 19G, 19H and 20 of the Depositories Act, 1996.

Directions

27. Without prejudice to actions under the Act, the Securities Contracts (Regulation) Act, 1956 Act, the Depositories Act, 1996 and regulation 23, the Board may in the interest of the securities market, in the interest of the investors or for the purpose of securing the proper management of any intermediary, issue, necessary direction including but not limited to any or all of the following:

(a) directing the intermediary or other persons associated with securities market to refund any money or securities collected from the investors under any scheme or otherwise, with or without requisite interest,

- (b) directing the intermediary or other persons associated with securities market not to access the capital market or not to deal in securities or for a particular period or not to associated with any intermediary or with any capital market related activity;
- (c) directing the recognised stock exchange concerned not to permit trading in the securities or units issued by a mutual fund or collective investment scheme ;
- (d) directing the recognised stock exchange concerned to suspend trading in the securities or units issued by a mutual fund or collective investment scheme ;
- (e) any other direction which the Board may deem fit and proper in the circumstances of the case:

Provided that before issuing any directions the Board may give a reasonable opportunity of hearing to the person concerned.

Provided further that if any interim direction is required to be passed, the Board may give post decisional hearing to such person.

CHAPTER V

MISCELLANEOUS

Power of the Board to issue clarifications.

28. In order to remove any difficulties in the application or interpretation of these regulations, the Board may issue clarifications and guidelines in the form of circulars.

Delegation of powers

29. The powers exercisable by the Board under these regulations shall also be exercisable by any officer of the Board to whom such powers are delegated under section 19 of the Securities and Exchange Board of India Act, 1992 (15 of 1992).

Repeal

30. (1) With effect from commencement of these regulations the Securities and Exchange Board of India (Criteria For Fit and Proper Persons) Regulations, 2004 shall be repealed.

SCHEDULE I

SECURITIES AND EXCHANGE BOARD OF INDIA (REGISTRATION AND REGULATION OF INTERMEDIARIES) REGULATIONS, 2007

[Regulation 3(1)]

FORM

Application for grant of certificate of registration

The information contained herein is updated as on: dd/mm/yy

INSTRUCTIONS FOR FILLING UP FORM –

1. Applicants must submit to the Board a completed application form together with appropriate supporting documents and applicable application fees. Supporting documents should be attested as true by a notary public.
2. This application form should be filled in accordance with the regulations.
3. Application for registration will be considered, only if it is complete in all respects.
4. All answers must be typed.
5. Information which needs to be supplied in more detail may be given on separate sheets which should be attached to the application form.
6. All signatures on the application must be original.
7. Every page of the form as well as every additional sheet must be initialed by the authorised signatory of the applicant.

Part I

1. General details of the applicant and its associates:

1.1. Name of the applicant:

- 1.2.** Address of the registered office, address for correspondence, telephone numbers, fax numbers, e-mail, website, name and telephone number of the contact person, address of branch office, if any:
- 1.3.** Date and place of incorporation/establishment:
- 1.4.** Legal status of the applicant and the law, under which it is incorporated, established or registered, if any including where the applicant is a listed entity, the details of the exchanges (whether in India or abroad) where the applicant is listed:
- 1.5.** Brief description of the principal activity of the applicant: (along with copies of the constitutional documents of the applicant)
- 1.6.** Year of commencement of such activities (if applicable):
- 1.7.** Shareholding pattern of the applicant (please set out the names of all such persons who hold whether directly or indirectly more than 5% of the shareholding or voting rights in the company):

Name of the shareholder	No. of Shares	[% of shareholding] / [% of voting rights]

Where control over the applicant is exercised by a person by way of an agreement or arrangement, details and documentation in relation to such agreement or arrangement as the case may be.

- 1.8.** Details of associates of the applicant operating in India / abroad and activities carried out by them including details as regards the legal status of each such associate and the law, under which it is incorporated, established or registered, if any

Legal Status and details of registration	
Name	
Address	
Telephone no	

Fax No	
E-mail address	
Nature of interest of the applicant in the associate, if any	
Nature of interest of such associate in the applicant, if any	

1.9. Details of registration / recognition of the applicant with the Board and with other regulatory authorities or self regulatory organization (whether in India or abroad):

The Regulator / SRO	Details of registration	Registration No.	Period of validity

1.10. Details of registration / recognition of each the associates of the applicant with the Board or with other regulatory authorities or self regulatory organizations (whether in India or abroad):

The Regulator / SRO	Details of registration	Registration No.	Period of validity

2.0 Details of the Compliance Officer:

Name	
Job Title	

Business Address	
Telephone no	
Fax No	
E-mail address	

1.1 Details of principal officers (where required)

Name Of Person	Responsibility	Qualification / Experience

1.2 Details of the Key Management Personnel

Name Of Person	Responsibility	Qualification / Experience

2. Financial Reporting and Disclosure:

Note: the requirements under this paragraph shall be updated on a yearly basis]

2.1 Audited balance sheets and profit and loss account statements for the past three years (including notes to accounts);

2.2 Net Worth of the applicant for the past three years Segment wise turnover of the applicant (where necessary) [for eg. where the applicant is a stock broker, then the segment wise turnover i.e. turnover under the cash segment, the derivative segment, the commodities segment etc.)

2.3 Current Status of the applicant: Active/Inactive/Surrendered

3. Details of arbitration/litigation which would have a material adverse effect on the functioning of the intermediary and investor complaints

3.1 Complaints:

S. No.	Name of the complainant	Date of receipt of complaint	Short description of complaint	Current status

3.2 Arbitration / litigation cases:

Forum	Name of the Petitioner	Short description of issue	Current stage of proceedings	Details of interim orders passed	Details of final award / order

3.3 Details of any show cause notices received from any regulatory authority

Sr. No.	Date of Notice	Details of alleged violation	Current status

3.4 Details of any regulatory action taken against the applicant or its associates

Sr. No.	Authority	Description of alleged default	Action taken	Current status

4. Details of the taxation authority

4.1 Please provide details of the authority where the applicant is subject to taxation:

5. Brief description of the group

5.1 Brief description of the group, if any, to which the applicant belongs. Please confirm the details of the company and the group, tracing them down to the individual persons in control

6. Management Details:

6.1 Provide the following details of the directors / partners / trustees of the applicant as the case may be:

Name	
Details of interest in the applicant	
Directorships in other entities	
Controlling interest in other entities	

6.2 Names of Promoters of the Applicant should be provided.

Part II

6.3 Provide address and contact details (including telephone numbers, email, fax etc.) of the applicant's promoters as specified in Clause 6.2 of Part I of the Form.

6.4 Provide details of address and contact details (including telephone numbers, email, fax etc.) of the applicant's management personnel as specified in Clause 6.1 of Part I of the Form.

6.5 Permanent Account Number/Registration Number/Code given by tax authority (if any) of the applicant:

7. Undertaking and Declarations:

We hereby represent, warrant and declare that:

1. the information supplied in the application, including the attachment sheets thereto, is complete, true and accurate in all respects;
2. We are in compliance with, and have adhered to and fulfilled, all the criteria and conditions applicable for grant of certificate of registration / certificate of renewal, as the case may be;

3. We further undertake that we will immediately notify the Securities and Exchange Board of India of any change in the information provided in the application in the manner as set out under the [•] Regulations;
4. We further undertake that we shall comply with the provisions of the Securities and Exchange Board of India Act, 1992 and the rules, regulations, guidelines, notifications, circulars, and any other directions as may be passed by the Securities and Exchange Board of India from time to time, issued there under and applicable to us, and all other relevant laws including guidelines issued by the Reserve Bank of India and the Government of India.
5. We further undertake that as a condition of grant of certificate of registration, we shall abide by such operational instructions/ directives as may be issued by Securities and Exchange Board of India from time to time under provisions of the Act or any other law for the time being in force.

For and on behalf of (*Name of the applicant*)

<i>Name of the applicant</i>	
Signature	
Name of signatory	
Position	
Date	<i>dd/mm/yyyy</i>

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Notes:

SCHEDULE II

SECURITIES AND EXCHANGE BOARD OF INDIA (REGISTRATION AND REGULATION OF INTERMEDIARIES) REGULATIONS, 2007

[Regulation 6(v)]

Criteria for determining a ‘fit and proper person’

(1) For the purpose of determining as to whether an applicant or the intermediary seeking registration under any one or more of the relevant regulations is a ‘fit and proper person’, the Board may take account of any consideration as it deems fit, including but not limited to the following criteria –

- (a) financial integrity;
- (b) absence of convictions or civil liabilities;
- (c) competence;
- (d) good reputation and character;
- (e) efficiency and honesty; and
- (f) absence of any disqualification to act as an intermediary as stipulated in these regulations.

(2) A person shall not be considered as a " fit and proper person" for the purpose of grant or renewal of certificate to act as an intermediary or to continue to act as an intermediary under any one or more of the relevant regulations, if he incurs any of the following disqualifications -

- (a) the applicant or the intermediary, as the case may be or its whole time director or managing partner has been convicted by a Court for any offence involving moral turpitude, economic offence, securities laws or fraud;
- (b) an order for winding up has been passed against the applicant or the intermediary;
- (c) the applicant or the intermediary, or its whole time director, or managing partner has been declared insolvent and has not been discharged;
- (d) an order, other than an order of suspension of certificate of registration as an intermediary, restraining, prohibiting or debarring the applicant or the

intermediary, or its whole time director or managing partner from dealing in securities in the capital market or from accessing the capital market has been passed by the Board or any other regulatory authority and a period of three years from the date of the expiry of the period specified in the order has not elapsed;

- (e) an order canceling the certificate of registration of the applicant or the intermediary has been passed by the Board on the ground of its indulging in insider trading, fraudulent and unfair trade practices or market manipulation and a period of three years from the date of the order has not elapsed;
- (f) an order withdrawing or refusing to grant any license / approval to the applicant or the intermediary, or its whole time director or managing partner which has a bearing on the capital market, has been passed by the Board or any other regulatory authority and a period of three years from the date of the order has not elapsed;

Provided that the Board may for reasons to be recorded in writing, allow the applicant or the intermediary, to seek registration before the lapse of three years as specified in clauses (d), (e) and (f).

- (g) the applicant or the intermediary, is financially not sound;
- (h) any other reason, to be recorded in writing by the Board, which in the opinion of the Board, renders such applicant or the intermediary, or its whole time director or managing partner unfit to operate in the capital market.

Explanation 1. For the purpose of this clause ‘whole time director’, in relation to
—

- (a) a mutual fund shall mean its sponsors, directors, principal officers, trustees or whole time directors of its asset management company;
- (b) a venture capital fund,
 - (i) where such venture capital fund is a trust, shall mean the whole time directors of its trustee company.
 - (ii) where such venture capital fund is a body corporate, shall mean its whole time directors or the trustees.

2. For the purpose of sub-clause (g) of clause (2), the Board shall take into consideration the capital adequacy or networth of the applicant or the intermediary, wherever it has been so specified in the relevant regulations.

SCHEDULE III

SECURITIES AND EXCHANGE BOARD OF INDIA (REGISTRATION AND REGULATION OF INTERMEDIARIES) REGULATIONS, 2007

[Regulation 16]

CODE OF CONDUCT

SCHEDULE III

COMMON CODE OF CONDUCT

I. INVESTOR PROTECTION

1.1 Investors/Clients

An intermediary shall make all efforts to protect the interests of investors and shall render the best possible advice to its clients having regard to the client's needs and the environments and his own professional skills.

1.2 High Standards of Service

An intermediary shall ensure that it and its key personnel, employees, contractors and agents, shall in the conduct of their business, observe high standards of integrity, dignity, fairness, ethics and professionalism and all professional dealings shall be affected in a prompt, effective and efficient manner. An intermediary shall be responsible for the acts or omissions of its employees and agents in respect to the conduct of its business.

1.3 Exercise of Due Diligence and no Collusion

An intermediary shall at all times render high standards of service, exercise due skill and diligence over persons employed or appointed by it, ensure proper care and exercise independent professional judgment and shall not at any time act in collusion with other intermediaries in a manner that is detrimental to the investor(s).

1.4 Fees

An intermediary shall not increase charges/ fees for the services rendered without proper advance notice to its customers

II. DISBURSAL OF AMOUNTS

2.1 Disbursal of Amounts

An intermediary shall be prompt in disbursing dividends, interests or any such accrual income received or collected by it on behalf of its clients.

III. DISBURSAL OF INFORMATION

- 3.1** An intermediary shall ensure that adequate disclosures are made to the clients in a comprehensible and timely manner so as to enable them to make a balanced and informed decision.
- 3.2** An intermediary shall not make any misrepresentation and ensure that the information provided to the clients is not misleading.
- 3.3** An intermediary shall not make any exaggerated statement whether oral or written to the client, either about its qualification or capability to render certain services or its achievements in regard to services rendered to other clients.
- 3.4** An intermediary shall not divulge to anybody, either orally or in writing, directly or indirectly, any confidential information about its clients, which has come to its knowledge, without taking prior permission of its clients except where such disclosures are required to be made in compliance with any law for the time being in force.

IV. CONFLICT OF INTEREST

- 4.1** An intermediary shall avoid conflict of interest and make adequate disclosure of his interest and shall put in place a mechanism to resolve any conflict of interest situation that may arise in the conduct of its business or where any conflict of interest arises, shall take reasonable steps to resolve the same in an equitable manner. An intermediary shall make appropriate disclosure to the client of its possible source or potential areas of conflict of duties and interest while acting as an intermediary which would impair its ability to render fair, objective and unbiased services.
- 4.2** An Intermediary 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 its interest including long or short position in the said security has been made, while rendering such advice. In case, an employee of the Intermediary is rendering such advice, the Intermediary shall ensure that he discloses his interest, the interest of his dependent family members and that of the employer including employer's long or short position in the said security, while rendering such advice.
- 4.3** An Intermediary or any of its directors, or employee having the management of the whole or substantially the whole of affairs of the business, or an associate or affiliate

of the intermediary shall not, either through its account or their respective accounts or through their family members, relatives or friends indulge in any insider trading.

V. COMPLIANCE AND CORPORATE GOVERNANCE

- 5.1** An Intermediary shall ensure that good corporate policies and corporate governance is in place. It shall not engage in fraudulent and manipulative transactions in the securities listed in any stock exchange in India and shall not indulge in any unfair competition (including resorting to unfair means for inducing another intermediaries clients) which is likely to harm the interests of other intermediaries or investors or is likely to place such other intermediaries in a disadvantageous position while competing for or executing any assignment.
- 5.2** An Intermediary shall take adequate and necessary steps to ensure that continuity in data and record keeping is maintained and that the data or records are not lost or destroyed. It shall also ensure that for electronic records and data, up-to-date back up is always available with it.
- 5.3** An Intermediary shall not be a party to or instrumental for—
- a) creation of false market for securities listed or proposed to be listed in any stock exchange in India;
 - b) price rigging or manipulation of prices of securities listed or proposed to be listed in any stock exchange in India; or
 - c) passing of unpublished price sensitive information in respect of securities which are listed or proposed to be listed in any stock exchange to any person or intermediary, or
 - d) indulge in any activity for distorting market equilibrium or which may affect the smooth functioning of the market or for personal gain.
- 5.4** An Intermediary shall co-operate with the Board, or any authority designated by the Board, as and when required and shall not make any untrue statement or suppress any material fact in any documents, reports, papers or information furnished to the Board or neglect or fail or refuse to submit to the Board or other agencies with which it is registered, such books, documents, correspondence, and papers or any part thereof as may be demanded/requested from time to time.
- 5.5** An Intermediary shall ensure that any change in registration status /any penal action taken by Board or any material change in financials which may adversely affect the interests of clients/investors is promptly informed to the clients and any business remaining outstanding is transferred to another registered person in accordance with any instructions of the affected clients/investors or as per the instructions of the Board and the provisions of the relevant regulations.
- 5.6** An Intermediary shall maintain an appropriate level of knowledge and competency and abide by the provisions of any act, regulations, circulars and guidelines of the Central Government, the Reserve Bank of India, the Board, the stock exchange or any

other applicable statutory or self regulatory or other body, as the case may be, and as may be applicable to the Intermediary in respect of the business carried on by such Intermediary. An Intermediary shall also comply with the award of the Ombudsman passed under the Securities and Exchange Board of India (Ombudsman) Regulations, 2003.

- 5.7** An Intermediary shall ensure that the Board is promptly informed about any action, legal proceedings, etc., initiated against it in respect of any material breach or non-compliance by it, of any law, rules, regulations, and directions of the Board or of any other regulatory body.

VI. INTERMEDIARY INFRASTRUCTURE REQUIREMENTS

- 6.1** An Intermediary shall have internal control procedures and financial and operational capabilities which can be reasonably expected to protect its operations, its clients, investors and other registered entities from financial loss arising from theft, fraud, and other dishonest acts, professional misconduct or omissions.
- 6.2** An Intermediary also registered with the Board in any other capacity/ category shall endeavour to ensure that arms length relationship is maintained in terms of both manpower and infrastructure between the activities carried out as an Intermediary and other permitted activities.
- 6.3** An Intermediary shall establish and maintain adequate infra-structural facility to be able to discharge its services as such intermediary to the satisfaction of clients, and the operating procedures and systems of the intermediaries shall be well documented and backed by operations manuals.
- 6.4** An Intermediary shall create and maintain the records of all documents and data in their in custody in such manner that the tracing of such document or data is facilitated in the event of loss of original records or documents for any reason.