

Consultation paper on Review of SEBI (Stock Brokers) Regulations, 1992

Objective

1. The objective of this consultation paper is to seek comments / views / suggestions from the public and other stakeholders on the proposal to revamp the Securities and Exchange Board of India (Stock Broker) Regulations, 1992 ("SB Regulations").
2. The new SB Regulations would ease compliance burden on stock brokers, harmonize with the Companies Act, 2013 and would also include certain provisions issued via circulars under SB Regulations.

Background

3. SB Regulations were notified on October 23, 1992. The objective of SB Regulations, inter-alia, was to lay down regulatory framework for Stock Brokers (SBs), their eligibility, registration, obligations and responsibility and their continuance in securities market. Subsequent to the implementation of the SB Regulations in 1992, considerable time has passed. There have been several significant changes in the regulatory landscape with regard to the compliance requirements for stock brokers and several amendments have been made to the SB Regulations. Further, there have been changes in market practices and regulatory environment over a period of time.

A need was thus felt to review and realign the SB Regulations with these developments to ensure that they reflect the requirements which have occurred due to change in market practices and regulatory environment.

4. In view of the same, Securities and Exchange Board of India ("SEBI") constituted a Working Group ("WG") comprising of Exchanges, Broker representatives, Legal experts, Academicians and representative of Investor Associations with the objective to simplify, ease and reduce cost of compliance, while effectively balancing investor protection and compliance with laws of the land, to build trust in the industry, and to facilitate its development and growth.
5. In view of the above, WG reviewed the SB Regulations with particular regard to the following:

- Simplify the language of the regulations to bring clarity and remove ambiguity, if any.
- Amend regulations to remove inconsistency and bring parity with sub-regulations within the same regulations and also with other capital market intermediary regulations.
- Omit regulations which are redundant
- Incorporate changes/ new requirements which have occurred due to change in market practices and regulatory environment.

[Report of the WG can be accessed here.](#)

6. The WG suggested certain changes to the Regulations which were placed before the Intermediary Advisory Committee (IAC) of SEBI which consists of eminent representatives from the Market Infrastructure Institutions, Broker Associations, Market Participants, Academicians, Legal experts and representative of Investor Association.
7. In view of the recommendations of the IAC and further deliberations, certain changes to the SB Regulations have been proposed. The snapshot of the major changes is placed at **Annexure A**.
8. Draft of the proposed Regulations is placed at **Annexure B**.

Public Comments:

The comments/ suggestions on the draft SB Regulations should be submitted latest by September 03, 2025, through the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

In case of any technical issue in submitting your comment through web based public comments form, you may write to consultationMIRSD@sebi.gov.in with the subject: "Public comments on Review of SEBI (Stock Brokers) Regulations, 1992".

Review of SEBI (Stock Brokers) Regulations, 1992

1. Inclusion of definition of 'Algorithmic Trading'

1.1. Background/rationale: The current regulations do not have any definition of 'Algorithmic Trading'. SEBI has issued the broad guidelines with regard to 'Algorithmic Trading' vide its circular No. CIR/MRD/DP/ 09 /2012 dated March 30, 2012, SEBI/HO/CDMRD/DMP/CIR/P/2016/97 dated September 27, 2016 and SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/0000013 dated February 04, 2025 on algorithmic (Algo) trading. In order to cover such trades by the stock brokers, it is proposed to include the definition of algorithmic trading.

1.2. Proposed definition:

The following definition of "Algorithmic Trading" is proposed to be inserted:

"Algorithmic Trading" means any order generated/placed using automated execution logic.

2. Inclusion of definition of 'Execution Only Platform'

2.1. Background/rationale: After the introduction of Execution Only Platform (EOP) segment, the SB regulations were amended vide SEBI (Stock Brokers) (Amendment) Regulations, 2023 to carve out separate requirements for EOPs to maintain books of account, records and documents and other requirements related to fees, deposit, variable net worth, etc. However, the current regulations do not have any definition of EOP. Accordingly, it is proposed to include the definition of EOP.

2.2. Proposed definition:

The following definition of "Execution Only Platform" is proposed to be inserted:

“Execution Only Platform” means any digital or online platform which facilitates transactions such as subscription, redemption and switch transactions in direct plans of schemes of Mutual Funds.

3. Inclusion of definition of ‘Proprietary trading’

3.1. Background/rationale: The current regulations do not have any definition of ‘Proprietary Trading’. In line with the practice of proprietary trading and in order to bring clarity in the demarcation of own trading and trading on behalf of clients by stock brokers, it is proposed to define the term ‘Proprietary trading’ in the regulations.

3.2. Proposed definition:

The following definition of “Proprietary trading” is proposed to be inserted:

“Proprietary trading” means trading in any segment of the recognised stock exchange, in its own account by a stock broker.

4. Amendment in definition of ‘Clearing member’:

4.1. Background/Rationale

Presently, as per existing regulation 2(1)(ae), the term "Clearing member" means a person having clearing and settlement rights in any recognised clearing corporation and shall include any person having clearing and settlement rights on a commodity derivatives exchange:

Provided that such a clearing member in commodity derivatives exchange shall be required to become a member of a recognised clearing corporation from such date as may be specified by the Board.

However, with the introduction of mandatory clearing and settlement through the Clearing Corporation in the Commodities segment as well and the merger of the Forwards Market Commission (FMC) with SEBI, the certain part of existing definition has become redundant. Accordingly, it is proposed to delete the redundant part from the definition.

4.2. Proposed definition

"Clearing member" means a person having clearing and settlement rights in any recognised clearing corporation.

5. Amendment in definition of 'Self-Clearing member':

5.1. Background/Rationale

Presently, as per existing regulation 2(1)(fa), the term "Self-clearing member" means a member of a clearing corporation who is also a stock broker and clears and settles trades on its own account or on account of its clients only and includes any person having clearing and settlement rights on a commodity derivatives exchange:

Provided that such person who clears and settles trades in commodity derivatives, shall be required to become a member of a recognised clearing corporation, from such date as may be specified by the Board.

With the introduction of mandatory clearing and settlement through the Clearing Corporation in the Commodities segment as well and the merger of the Forwards Market Commission (FMC) with the SEBI, the certain part of existing definition has become redundant. Accordingly, it is proposed to delete the redundant part from the definition.

Proposed definition

"Self-clearing member" means a member of a clearing corporation who is also a stock broker and clears and settles trades on its own account or on account of its clients only.

6. Amendment in definition of 'Professional Clearing member':

6.1. Background/Rationale

Presently, as per existing regulation 2(1)(ca), the term "Professional clearing member" means a member having clearing and settlement rights in any recognized clearing corporation, but not having trading rights in any recognized stock exchange.

The current definition of the professional clearing member (PCM) states that a PCM shall not have 'trading rights' in the recognized stock exchange in which such person is registered as PCM. However, the term 'trading rights' has a wider meaning and has created ambiguity whether such person can

have trading rights in a capacity of an investor or not. Therefore, it is proposed to modify the definition in order to bring clarity.

6.2. Proposed definition

Professional clearing member” means a member having clearing and settlement rights in any recognized clearing corporation, but not having trading rights as that of a stock broker in corresponding recognized stock exchange/segment of recognized stock exchange.

7. Amendment in definition of ‘Proprietary trading member’:

7.1. Background/Rationale

Presently, as per existing regulation 2(1)(cb), the term "Proprietary trading member” means a stock broker who trades in the debt segment of the recognised stock exchange, exclusively on its own account or as permitted by its sectoral regulator.

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

7.2. Proposed definition

“Proprietary trading member” means a stock broker whose trades are exclusively proprietary trades.

8. Removal of definition of ‘Small Investor’

8.1. Background

Presently, as per existing regulation 2(1)(g), the term “Small investor” means any investor buying or selling securities on a cash transaction for a market value not exceeding rupees fifty thousand in aggregate on any day as shown in a contract note issued by the stock broker.

8.2. Rationale/ Proposal

As the definition is no longer relevant, it is proposed to delete the same from regulations

9. Consideration of application for grant of registration

9.1. Background/rationale

In case of a stock broker is company, in order to facilitate governing and implementation of compliance requirements as prescribed by SEBI, it is desirable to have at least one designated director who is residing in India. At present, there is no such requirement.

9.2. Proposal

While granting the certificate of registration to stock broker, the Board shall take into account that in case of a company, it has to have at least one designated director, who stays in India for a total period of not less than one hundred and eighty-two days during the financial year.

10. Conditions of registration: Intimation of material change

10.1. Background/rationale

Currently, the regulation seeks prior approval for change in control only. However, there is no provision for intimation by the stock broker, in case the information submitted at the time of registration, undergoes a material change, apart from change in control.

10.2. Proposal

The stock broker shall forthwith inform the Board in writing, through any one of the stock exchange of which it is admitted as a member and shall intimate other Market Infrastructure Institutions, if there is any material change, as prescribed by Board or stock exchange from time to time, in the information already submitted at the time of registration.

11. Conditions of registration: Change in control

11.1. Background/Rationale

As per existing regulation 9 (c), where the stock broker proposes change in

control, he shall obtain prior approval of the Board for continuing to act as such after the change.

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

11.2. Proposal

where the stock broker proposes change in control, it shall obtain prior approval of the Board by making an application through any one of the stock exchange of which it is admitted as a member and shall intimate other Market Infrastructure Institutions for continuing to act as the stock broker after the change.

12. Insertion of enabling provision for other activities permitted by SEBI for stock brokers such as NDS-OM and GIFT IFSC under Separate Business Units (SBU)

12.1. Background/rationale

In order to permit stock brokers to carry out other activities, as may be specified by SEBI from time to time, such as accessing NDS-OM for trading in Government securities and to undertake securities market related activities in GIFT-IFSC under a Separate Business Unit (already permitted vide Para 71 and 72 of master circular for stock brokers dated June 17, 2025), it is proposed to have an enabling provision in the regulations.

12.2. Proposal

Accordingly, a provision may be inserted in the stock brokers regulations which shall permit a stock broker from carrying on any activity, as may be specified by the Board, under the respective guidelines of a financial sector regulator or any other specified authority:

In such a case, transactions made by a stock broker in any other platform under the guidelines of the respective regulator or authority shall be under the purview of the said regulator or authority.

13. Enhanced obligations and responsibilities for qualified stock brokers (QSB)

13.1. Extant Provisions

The existing regulation 18D (1) provides parameters for designating a stock broker as a qualified stock broker having regard to its size and scale of operations, likely impact on investors and securities market, as well as governance and service standards. The parameters are as follows:

- a. total number of active clients
- b. available total assets of clients with the stock broker
- c. trading volume of the stock broker
- d. end of day margin obligations of all clients of a stock broker
- e. Proprietary trading volumes of the stock broker
- f. compliance score as may be specified by the Board
- g. grievance redressal score as may be specified by the Board

13.2. Rationale

The criteria given at point (a) to (e) above aims to cover large systemically important stock brokers who serve a sizable investor base, making it essential for them to maintain high standards of regulatory compliance. The stock brokers designated as a QSBs are required to meet enhanced obligations and discharge responsibilities to ensure appropriate governance structure, appropriate risk management policy and processes, scalable infrastructure and appropriate technical capacity, framework for orderly winding down, robust cyber security framework, and investor services including online compliant redressal mechanism.

The criteria mentioned at point (f) and (g) are, in essence, aspects on which QSBs are already monitored. Further QSBs, in any case, have to ensure enhanced compliance and efficient grievance redressal mechanism. Thus the said parameters do not appear appropriate to be applied as a qualifying criteria. Accordingly, the said criteria may not be used as a qualifying criteria, to designate a broker as QSB. In view of the same, it is proposed to remove the criteria at point (f) and (g) as parameter for designating a stock broker as QSB.

13.3. Proposal

Accordingly, the proposed regulation would read as follows:

The Board may designate a stock broker as a qualified stock broker having regard to its size and scale of operations, likely impact on investors and securities market, on the basis of the following parameters and the appropriate weightages thereon:

- a. total number of active clients
- b. available total assets of clients with the stock broker
- c. trading volume of the stock broker
- d. end of day margin obligations of all clients of a stock broker
- e. Proprietary trading volumes of the stock broker

14. Insertion of 'Power to relax strict enforcement of the regulations' in the regulation

14.1. Background/rationale

In order to have an enabling provision in the regulations for relaxing strict enforcement of the regulations, it has been proposed to insert regulation pertaining to power to relax strict enforcement of the regulations.

14.2. Proposal

(1) The Board may (suo moto or an application made in this regard), in the interest of development and regulation of securities market, relax the strict enforcement of any requirements of these regulations, if the Board is satisfied that:

- (a) Any provisions of Act(s), Rule(s), Regulation(s) under which the entity is established or is governed by, is required to be given precedence to; or
- (b) The requirement may cause undue hardships to investors; or
- (c) The requirement is procedural or technical in nature; or
- (d) The non-compliance is caused due to factors affecting a class of persons but being beyond the control of the person; or

(e) The requirement is not relevant for a particular class of industry or person.

(2) For seeking relaxation under sub-regulation (1), an application, detailing the grounds on which such relaxation is sought, shall be filed with the Board along with a non-refundable fee, as prescribed by Board from time to time.

(3) The Board shall process such application and shall record reasons for acceptance or refusal of relaxations sought by the applicant.

(4) The Board may seek recommendation from a stock exchange and/or clearing corporation, as it may deem fit, in order to process the application.

(5) Confidentiality of request:

- a. Any person submitting a letter or written communication under this regulation may request that it receive confidential treatment for a specified period of time not exceeding 180 (One Hundred and Eighty) days from the date of the Board's response. The request shall include a statement of the basis for confidential treatment.
- b. If the Board determines to grant the request, the letter or written communication will not be available to the public until the expiration of the specified period.
- c. If it appears to the Board that the request for confidential treatment should be denied, the requestor will be so advised with reasons and such person may withdraw the letter or written communication in which case the fee, if any, paid by the requestor would be refunded.
- d. In case where a request has been withdrawn under clause (c), no response will be given and the letter or written communication will remain in the records of the Board but will not be made available to the public.
- e. If the letter or written communication is not withdrawn, it shall be available to the public together with the written response of the Board.

15. Amendment in Schedule VI – Net worth requirements for stock brokers

15.1. Extant provisions

Schedule VI of SB Regulations specifies that Net worth requirement for stock brokers shall be higher of base net worth or variable net worth. Variable net worth is defined as 10% of average daily cash balance of clients retained with the member across segments/exchanges in the previous 6 months

15.2. Rationale/Proposal

SEBI circulars SEBI/HO/MIRSD-PoD-1/P/CIR/2023/84 dated June 08, 2023 and SEBI/HO/MIRSD-PoD-1/P/CIR/2023/187 dated December 12, 2023 provides for 'Upstreaming of the client funds' by Stock brokers / Clearing members with the clearing corporation and also compulsorily lien marking of the fixed deposit receipts created out of the client fund in favour of the Clearing Corporation.

Post implementation of the said circular calculation of variable Net worth of the members based on the availability of funds with members has become ineffective. Further, since the methods of calculation of variable net worth may change from time to time, the method of calculation of variable net worth may not form part of the regulations. Accordingly, it is proposed that regulations will contain only enabling provision for variable net worth (i.e. 'variable net worth shall be computed as per the criteria prescribed by Board from time to time') and detailed method of computation of variable net worth will be specified through issuance of separate circular.

16. Modification of Index content

16.1. Rational

Certain regulations shown in the Index have already been removed in previous amendments, but these are still appearing in the Index. Accordingly, the redundant provisions need to be deleted so as to reflect the present and proposed provisions.

16.2. Proposal:

The following provisions are proposed to be deleted from the index:

CHAPTER III- REGISTRATION OF SUB-BROKERS

11. Registration as sub-broker

11A. Application for registration as sub broker

12. Procedure for registration

12A. Conditions of registration

13. Procedure when registration is not granted

14. Effect of refusal

15. General obligations and inspection

15A. Director not to act as sub-broker

16. Application of Chapters IV, V & VI

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

Schedule I – forms:

FORM AA: Application form for registration as a trading and/or a clearing member and/or a self-clearing member] with the Securities and Exchange Board of India

FORM B: Application Form for Registration as a Sub-broker with Securities and Exchange Board of India

FORM C: Recommendation Letter to be given by the Member with whom the Sub- broker is affiliated

FORM CA: Recognition letter to be issued by the Stock Exchange

17. Insertion of ‘obligations and responsibilities of stock brokers’ in the regulations (Incorporation of provisions from circulars to regulations)

17.1. Background/rationale

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

applicable to the stock brokers in the stock-brokers regulations.

17.2. Proposal

The brokers shall be required to meet obligations and discharge responsibilities as mentioned below, in the manner as may be specified by the Board from time to time:

Protection of clients' funds and securities

- a) Ensuring that the clients' funds are available at all times, as prescribed by the Board, stock exchange and/or clearing corporation.
- b) Adhering to the allocation and segregation of collaterals at the client level and upstreaming of client funds provisions, as prescribed by the Board, stock exchange and/or clearing corporation from.
- c) Keeping the money/securities deposited by the client in a separate account, distinct from his/its own account or account of any other client and shall not be used by the stock broker for himself/itself or for any other client or for any purpose other than the purposes mentioned in SEBI Rules and Regulations circulars/ guidelines and Rules/Regulations/Bye-laws and circulars issued by a stock exchange / clearing corporation.

Risk management and internal control

- d) Adhering to the requirement of internal audit for stock brokers viz. appointment, rotation of Internal Auditors, timeline for submissions of Internal Audit Reports, etc., as prescribed by the Board and/or stock exchange.
- e) Adhering to KYC (Know Your Client) and client due diligence guidelines and procedures, as prescribed by the Board and/or stock exchange.
- f) Bringing the contents of the risk disclosure document to the notice of client and make the client aware of the significance of the said document.
- g) Faithfully executing the orders on behalf of clients for buying and selling of securities at the best available market price and shall not refuse to deal with an Investor merely on the ground of the volume of business involved.

- h) Execute trades of the clients only after keeping evidence of the client placing such order, as prescribed by the Board and/or stock exchange.
- i) Monitoring and review of trading activities of the Authorised Persons (APs) and branches including periodic inspection of branches assigned to APs and records of the operations carried out by them, as prescribed by the Board and/or stock exchange.
- j) Maintaining confidentiality of all the details/information/data pertaining to the client and the same should not be disclosed to any person except as required under any law/regulatory requirements or with the express written permission of the client.

Technology

- k) Having a robust cyber security and cyber resilience framework, including requirement of Vulnerability Assessment and Penetration Tests (VAPT) in accordance with the requirements and submission of reports, as prescribed by the Board and/or stock exchange.
- l) Carry out System Audit and submission of the System Audit report, as prescribed by the Board and/or stock exchange.
- m) Adhering to the Guidelines on Technical Glitches, as prescribed by the Board and/or stock exchanges, to prevent business disruptions.
- n) Compliance with advisory for financial sector organisations regarding Software as a Service (SaaS) based solutions.

General obligations

- o) Ensuring the enrolment and continuation thereof during the period of membership of a stock exchange, on the common Online Dispute Resolution Portal (ODR) or such other platform, as prescribed by the Board and/or stock exchange.
- p) Adhering to the Code of Advertisement, as prescribed by the Board and/or stock exchange.
- q) Adhering to the guidelines on outsourcing of activities, as prescribed by the Board and/or stock exchange.

- r) Carry out any other audit on terms and conditions, as prescribed by Board and/or stock exchange from.
- s) Adhering to Regulations as prescribed by Board from time to time.

18. Insertion of provision for Grievance Redressal

18.1. Background/Rationale

The current regulations do not contain separate obligation of stock broker for redressal of grievance. Hence, in the interest of investors, it is proposed to include the relevant provisions.

18.2. Proposal

The stock broker shall redress investor grievances promptly but not later than twenty-one calendar days from the date of receipt of the grievance and in such manner as may be specified by the Board.

19. Insertion of 'Activities restricted/prohibited for stock brokers' in the regulation (Incorporation of provisions from circulars to regulations)

19.1. Background/rationale

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

19.2. Proposal

It is proposed that without prejudice to the obligations of the stock broker under the SEBI Act, 1992 or any Rules /Regulations/circulars/ guidelines framed thereunder and/or stock exchange Rules/Regulations/Bye-laws and circulars and/or clearing corporation Rules/Regulations/Bye-laws and circulars and/or depositories Rules/Regulations/Bye-laws and circulars, stock broker shall refrain from -

- a) Engaging in activities/schemes of fixed / periodic payments, which are not permitted under the Byelaws, Rules & Regulations of a recognized

stock exchange and circulars, including operating any schemes of unauthorised collective investments/portfolio management, promising indicative/ guaranteed/fixed returns/payments etc., as prescribed by the Board and/or stock exchange from time to time.

b) Engaging in any activity not permitted under Rule 8(1)(f) and Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957.

c) Accepting cash from their clients either directly or by way of cash deposit to the bank account of the stock broker.

20. Chapter IIA – Registration of Clearing Members

20.1. Extant provision

Existing regulation 10E: For the purpose of this Chapter and in respect of clearing and settlement of trades in commodity derivatives, the word “clearing corporation” wherever appearing, shall refer to a commodity derivatives exchange till such time a separate clearing corporation is established to undertake the activity of clearing and settlement of trades in commodity derivatives.

20.2. Rationale/proposal

With the introduction of mandatory clearing and settlement through the Clearing Corporation in the Commodities segment and the merger of the Forwards Market Commission (FMC) with the SEBI, the existing regulation 10E has become redundant. Hence, it is proposed to be deleted.

21. Chapter V – Procedure for inspection – Board’s right to inspect

21.1. Background/Rationale

In terms of existing regulation 19, Board may appoint one or more persons as inspecting authority to undertake inspection of broker. However, at present, there is no provision in the regulation for inspection by exchanges and/or joint inspection.

In order to have an enabling provision in the regulations for inspection by the Exchanges as well as for joint inspection by the SEBI, stock exchanges

and/or depositories, etc. (to obviate multiple inspection by MIs and SEBI), it has been proposed to insert the sub-regulation (3) and (4) under existing Regulation 19.

21.2. Proposal

(3) Notwithstanding anything contained in sub-regulations (1) and (2) of regulation 19, the recognised stock exchange(s), clearing corporation and depository may conduct inspection of stock brokers, in accordance with their respective bye-laws.

(4) the Board and the recognised stock exchange(s), clearing corporation and depository may conduct joint inspection of the stock brokers.

22. Chapter IV – General obligations and Responsibilities

Existin g Regulat ion	Existing Provisions	Proposed amendments	Rationale
17(1)	Every Stockbroker shall keep and maintain the following books of account, records and documents, namely....	Every Stockbroker shall keep and maintain, either physically or in electronic form, the following books of account, records and documents, namely...	With the advent of technological developments, many of the Books of accounts and / or records are maintained electronically instead of in the physical form.
17(1A)	A stock broker in the Execution Only Platforms segment, shall keep and maintain the books of account, records and documents, as may be specified by the Board from time	A stock broker in the Execution Only Platforms segment, shall keep and maintain, either physically or in electronic form, the books of account, records and documents as may be specified by the Board from time to time.	With the advent of technological developments, many of the Books of accounts and / or records are maintained electronically instead of in the physical form.

Existing Regulation	Existing Provisions	Proposed amendments	Rationale
	to time.		
17(1)(g)	Documents register containing, inter alia, particulars of securities received and delivered in physical form and the statement of account and other records relating to receipt and delivery of securities provided by the depository participants in respect of dematerialized securities;	Register of Securities and other records relating to receipt and delivery of securities provided by the depository participants in respect of dematerialized securities	Due to sunset of the physical delivery in the capital markets, the relevant regulation 17(1)(g) is partially redundant and needs to be replaced with records for maintenance of register of securities.
17(1)(h)	Member's contract books showing details of all contracts entered into by him with other members of the same exchange or counterfoils or duplicates of memos of confirmation issued	Deleted	There is restriction on the stock brokers from dealing with other stock brokers of the same exchange, hence the current provision is redundant and needs to be omitted.

Existin g Regulat ion	Existing Provisions	Proposed amendments	Rationale
	to such other members;		
17(1)(i)	Counterfoils or duplicates of contract notes issued to clients;	Copy of contract notes issued to clients (to be maintained either physically or in electronic form);	Maintaining physical copy of contract notes is a burdensome activity as it requires space to store the records and involves cost, and for ease of doing business the same is required to be maintained in the electronic form.
17(2)	Every stockbroker shall intimate to the Board, the place where the books of accounts, records and documents are maintained.	Every stockbroker shall intimate to the stock exchanges of which it is admitted as a member, the place where the books of accounts, records and documents are maintained.	Currently all communications of the stockbroker with the Board are routed only through the stock exchanges. In a move to bring ease of compliance for stock brokers, the given amendment is proposed.
17(3)	Without prejudice to sub-regulation (1), every stockbroker shall, after the close of each accounting period furnish to the	Without prejudice to sub-regulation (1), every stock broker shall, after the close of each accounting period furnish to the stock exchange of	Currently all communications of the stockbroker with the Board are routed only through the stock exchanges. In a move to bring ease of

Existin g Regulat ion	Existing Provisions	Proposed amendments	Rationale
	<p>Board, if so required as soon as possible but not later than six months from the close of the said period a copy of the audited balance sheet and profit and loss account as at the end of the said accounting period:</p> <p>Provided that, if it is not possible to furnish the above documents within the time specified, the stock broker shall keep the Board informed of the same together with the reasons for the delay and the period of time by which such documents would be furnished.</p>	<p>which it is admitted as a member, if so required as soon as possible but not later than six months from the close of the said period a copy of the audited balance sheet and profit and loss account as at the end of the said accounting period:</p> <p>Provided that, if it is not possible to furnish the above documents within the time specified, the stock broker shall keep the stock exchange informed of the same together with the reasons for the delay and the period of time by which such documents would be furnished.</p>	<p>compliance for stock brokers, the given amendment is proposed.</p>

23. Chapter VI – Procedure for action in case of default

Existin g Regulat ion	Existing Provisions	Proposed amendments	Rationale
26(iv)	Failure to redress the grievances of investors within 30 days of receipts of notice from the Board.	Failure to take adequate steps for redressal of grievances of investors within twenty-one calendar days of receipts of complaint.	As per Conditions of Registration- chapter -II, Regulation 9(e), the stock broker needs to take adequate steps for redressal of grievances in 21 calendar days from the date of receipt of complaint. Hence, the necessary changes are proposed to align with the same.
26(vi)	Failure to deliver any security or make payment of the amount due to the investor within 48 hours of the settlement of trade unless the client has agreed in writing otherwise.	Failure to deliver any security or make payment of the amount due to the investor within such time, as specified by Board or stock exchange from time to time, unless the client has agreed in writing otherwise.	As per the SEBI circular MIRSD/ SE /Cir-19/2009 dated December 3, 2009 and SEBI/HO/MRD/DP/CIR/P/2 016/135 dated December 16, 2016, the stock broker need to give pay-out of funds and securities within one working day. Further, in view of T plus 0 settlement in process, it is proposed to bring the specified change.
26(xvii)	Failure to obtain	Failure to obtain prior	All communications of the

Existin g Regulat ion	Existing Provisions	Proposed amendments	Rationale
	prior approval of the Board in case of change in control of the stock broker.	approval of the Board through any one of the stock exchange of which it is admitted as a member and intimation to other MIs in case of change in control of the stock broker.	stockbrokers with the Board are routed only through the stock exchanges. Hence, the regulation is proposed to be aligned with the existing process.
27(xiii) & 28 (iv)	indulges in insider trading in violation of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992.	indulges in insider trading in violation of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (as amended or re-enacted from time to time).	To align with existing regulation, the change is proposed.
27 (xiv) & 28(v)	violates Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.	violates Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (as amended or re-enacted from time to time)	To align with any change in PFUTP regulation in future, the given change is proposed.
27 (x)	Fails to abide by any award of the	Fails to abide by any award of the	As the ombudsman regulations are no longer

Existing Regulation	Existing Provisions	Proposed amendments	Rationale
	ombudsman or decision of the Board under the Securities and Exchange Board of India (Ombudsman) Regulations, 2003	Ombudsman or decision of the Board under the regulations, prescribed by Board from time to time.	in force, the given change is proposed.

24. Amendments in Schedule I

Chapter/Schedule	Existing Provisions	Proposed amendments	Rationale
Schedule I – Form A	Table 1: Fax number Table 4: Details of sales personnel or approved user who has passed any certification programme.	Deleted	As the said information is separately being taken by exchanges at the time of segment enablement, it is suggested that the same is not required to be taken at the time of registration and can be removed from Form A.
	Undertaking: 5. Whether the applicant or its director or partners, any time convicted of any economic offence? If so,	Undertaking – point 5 to 8: deleted Below given insertion is proposed: Fit and Proper Person Declaration from the	In order to remove the duplicates in seeking the information (first as an “Undertaking” forming part of the Application Form and then seeking separate declaration for Fit & Proper person), it is suggested to

Chapter/S chedule	Existing Provisions	Proposed amendments	Rationale
	<p>furnish the details.</p> <p>6. Whether the applicant or its directors or partners, declared insolvent or declared defaulter by any exchange? If so, furnish details.</p> <p>7. Whether the applicant or its directors or partners at any time subjected to any proceedings or penalty by the Board under SEBI Act or any of the regulations framed under the SEBI Act? If so, furnish the details.</p> <p>8. Whether any disciplinary action has been initiated/ taken or penalty has been</p>	<p>Applicant, its director or partners in accordance with SEBI (Intermediaries) Regulations, 2008, as amended from time to time.</p> <p>Based on the declaration received, the Board shall decide whether an applicant is Fit and Proper Person or not.</p>	<p>combine the same where along with the Application Form, the fit and proper person undertaking is also obtained with necessary details of the cases.</p>

Chapter/Schedule	Existing Provisions	Proposed amendments	Rationale
	imposed by SEBI/ stock exchange(s)/ clearing corporation(s) or any other regulatory authority? If yes, furnish details. Also provide the details of corrective steps taken thereon.		
Schedule I – Form AD	<p>Table 1: Fax number</p> <p>Undertaking:</p> <p>3. Whether the applicant or its director or partners, any time convicted of any economic offence? If so, furnish the details.</p> <p>4. Whether the applicant or its directors or partners,</p>	<p>Deleted Fax number</p> <p>Undertaking – point 3 to 6: deleted</p> <p>Below given insertion is proposed:</p> <p>Declaration from the Applicant, its director or partners for Fit and Proper Person, in the format as given in Form D, in line with the SEBI (Intermediaries) Regulations, 2008, as</p>	<p>In order to remove the duplicates in seeking the information (first as an “Undertaking” forming part of the Application Form and then seeking separate declaration for Fit & Proper person), it is suggested to combine the same where along with the Application Form, the fit and proper person undertaking is also obtained with necessary details of the cases.</p>

Chapter/S chedule	Existing Provisions	Proposed amendments	Rationale
	<p>declared insolvent or declared defaulter by any exchange? If so, furnish details.</p> <p>5. Whether the applicant or its directors or partners at any time subjected to any proceedings or penalty by the Board under SEBI Act or any of the regulations framed under the SEBI Act? If so, furnish the details.</p> <p>6. Whether any disciplinary action has been initiated/ taken or penalty has been imposed by SEBI/ stock exchange(s)/ clearing corporation(s) or any other</p>	<p>amended from time to time.</p> <p>Based on the declaration received, the Board shall decide whether an applicant is Fit and Proper Person or not.</p>	

Chapter/Schedule	Existing Provisions	Proposed amendments	Rationale
	regulatory authority? If yes, furnish details. Also provide the details of corrective steps taken thereon		
Form E	<p>Securities and Exchange Board of India (Stock Brokers) Regulations, 1992 [Regulation 12]</p> <p>Certificate of Registration</p> <p>In exercise of the powers conferred by sub-section (1) of section 12 of the Securities and Exchange Board of India Act, 1992, read with the rules and regulations made thereunder, the Board hereby grants a certificate of registration to.....as a Sub-broker subject to the rules and in</p>	Deleted	Since the concept of sub-broker is no more in existence, it is proposed to delete the Form E.

Chapter/Schedule	Existing Provisions	Proposed amendments	Rationale
	<p>accordance with the regulations.</p> <p>Registration number allotted is as under:</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>This certificate shall be valid till it is suspended or cancelled in accordance with the regulations.</p> <p>Date:</p> <p>By Order</p> <p>For and on behalf of Securities and Exchange Board of India</p>		

25. Amendments in Schedule II - Code of Conduct

Existing Regulation	Existing Provisions	Proposed amendments	Rationale
A. General	There is no point no. 6 under the Para A in the	<p>A. General</p> <p>(1)</p> <p>(2)</p>	<p>This clause was appearing in Section C, under Stock-Brokers vis-a-vis Other</p>

Existing Regulation	Existing Provisions	Proposed amendments	Rationale
	existing regulations.	(6) False or Misleading Returns: A stock-broker shall not neglect or fail or refuse to submit the required filings and not make any false or misleading statement on any returns required to be submitted to the Board and the stock exchange.	Stock-Brokers, whereas it has no direct relation between Stock-Brokers and Other Stock-Brokers' activity. Hence, moved it from Section C to Point A-General .
B. Duty to the Investor	(1) Execution of Orders: A stock-broker, in his dealings with the clients and the general investing public, shall faithfully execute the orders for buying and selling of securities at the best available market price and not refuse to deal with a Small Investor merely	(1) Execution of Orders: A stock-broker shall promptly inform his client about the execution or non-execution of an order, and make prompt payment in respect of securities sold and arrange for prompt delivery of securities purchased by clients.	Deleted portion has been moved to Point no. (g) of proposed insertion pertaining to 'obligations and responsibilities for stock brokers'

Existing Regulation	Existing Provisions	Proposed amendments	Rationale
	on the ground of the volume of business involved. A stock-broker shall promptly inform his client about the execution or non-execution of an order, and make prompt payment in respect of securities sold and arrange for prompt delivery of securities purchased by clients.		
	2. Issue of Contract Note: A stock-broker shall issue without delay to his client or client of the sub-broker, as the case may be a contract note for all	2. Issue of Contract Note: A stock-broker shall issue a contract note to his client, within specified timeline, for all transactions in the form specified by the stock exchange .	Since the concept of sub-broker is no more in existence, it is proposed to delete the wordings relating to the sub-broker.

Existing Regulation	Existing Provisions	Proposed amendments	Rationale
	transactions in the form specified by the stock exchange.		
	7. Investment Advice: A stock-broker shall not make a recommendation to any client who might be expected to rely thereon to acquire, dispose of, retain any securities unless he has reasonable grounds for believing that the recommendation is suitable for such a client upon the basis of the facts, if disclosed by such a client as to his own security holdings, financial situation and	7. Investment Advice: A stock broker, while providing incidental advice to its broking clients who might be expected to rely thereon to acquire, dispose of, retain any securities, shall comply with the Chapter III of SEBI (Investment Advisory) Regulations, 2013, as amended from time to time.	The said point was added before 2013. From 2013, SEBI Investment Advisory Regulations are in place and necessary amendments have taken place in the said regulation from time to time. As per the said regulation, when the stock broker is providing investment advice to their clients which are incidental to their stock broking activity, they are required to comply with Chapter III of the said regulation. The Chapter III has cast specific obligation on the Investment Advisor while providing investment advice including, but not limited to, doing the suitability analysis of the client. Hence, to align the SEBI SB Regulation with

Existing Regulation	Existing Provisions	Proposed amendments	Rationale
	<p>objectives of such investment.</p> <p>The stock-broker should seek such information from clients, whenever he feels it is appropriate to do so.</p>		the requirement prescribed in SEBI IA Regulations, the said modifications are proposed.
	<p>(7A) Investment advice in publicly accessible media—</p> <p>(a) A stock broker or any of his employees shall not render, directly or indirectly, any investment advice about any security in the publicly accessible media, whether real-time or non-real-time, unless a disclosure of his</p>	7A. Deleted	The said point was added when SEBI (Research Analyst) Regulation 2014 was not in existence. With the introduction of SEBI (Research Analyst) Regulation 2014, there are regulatory requirement prescribed for anyone to become a research analyst. Also they need to follow certain regulations while giving research recommendations including meeting qualification and certification criteria to act as research analyst, record maintenance, etc. Such

Existing Regulation	Existing Provisions	Proposed amendments	Rationale
	<p>interest including the interest of his dependent family members and the employer including their long or short position in the said security has been made, while rendering such advice.</p> <p>(b) In case an employee of the stock broker is rendering such advice, he shall also disclose the interest of his dependent family members and the employer including their long or short position in the said security, while rendering such advice.</p>		<p>regulatory requirement is not applicable for the stock broker employee for giving recommendations in public media, which leads to gross regulatory arbitrage. Hence, it is proposed to delete the said clause so that if the stock broker employee wants to give recommendations in public media, the stock broker get registered as Research Analyst.</p>
C. Stock-	(1) Conduct of	Point 1 to 3 deleted	Due to sunset of the

Existing Regulation	Existing Provisions	Proposed amendments	Rationale
Brokers vis-a-vis Other Stock-Brokers*	<p>Dealings: A stock-broker shall co-operate with the other contracting party in comparing unmatched transactions. A stock-broker shall not knowingly and wilfully deliver documents which constitute bad delivery and shall co-operate with other contracting party for prompt replacement of documents which are declared as bad delivery.</p> <p>(2) Protection of Clients Interests: A stock-broker shall extend fullest co-operation to other stock-brokers in protecting the</p>		<p>physical delivery in the capital markets, the sub-point No.1 and 2 of Point C are redundant. Also, the stock brokers are not allowed to deal with other stock brokers of the same exchange. Hence, the current provision of the sub-point No.3 of Point C is also redundant. Hence, the said sub-point No.1, 2 and 3 are proposed to be deleted.</p>

Existing Regulation	Existing Provisions	Proposed amendments	Rationale
	<p>interests of his clients regarding their rights to dividends, bonus shares, right shares and any other right related to such securities.</p> <p>(3) Transactions with Stock-Brokers: A stock-broker shall carry out his transactions with other stock-brokers and shall comply with his obligations in completing the settlement of transactions with them.</p>		
	<p>(6) False or Misleading Returns: A stock-broker shall not neglect or fail or refuse to submit</p>	Moved at point no. 6 under Section A -General	This clause has no direct relation between Stock-Brokers and Other Stock-Brokers' activity. Hence, moved it from Section C to Section A-General.

Existing Regulation	Existing Provisions	Proposed amendments	Rationale
	the required returns and not make any false or misleading statement on any returns required to be submitted to the Board and the stock exchange.		
E. Duty as an underwriter	9 (a) A Stock Broker or any of its employees shall not render, directly or indirectly any investment advice about any security in the publicly accessible media, whether real-time or non-real-time, unless a disclosure of its interest including its long or short position in the said security has been made, while rendering such	Point 9 (a) & (b) deleted	With the introduction of SEBI (Research Analyst) Regulation 2014, there are regulatory requirement prescribed for anyone to become a research analyst. Also they need to follow certain regulations while giving research recommendations including meeting qualification and certification criteria to act as research analyst, record maintenance, etc. Such regulatory requirement is not applicable for the stockbroker employee for giving recommendations in public media, which leads to gross regulatory

Existing Regulation	Existing Provisions	Proposed amendments	Rationale
	advice. (b) In case, an employee of a Stock Broker is rendering such advice, the Stock Broker shall ensure that he shall disclose its interest, the interest of dependent family members and that of the employer including their long or short position in the said security, while rendering such advice.		arbitrage. Hence, it is proposed to delete the said clause so that if the stockbroker employee wants to give recommendations in public media, the stock broker get registered as Research Analyst.

26. Amendments in Schedule III - Fees to be paid by the Stock Broker

Existing Regulation	Existing Provisions	Proposed amendments	Rationale
Point I – Fees to be paid by	4A. Where a stock exchange has formed a	Deleted	Since the concept of sub-broker is no more in existence, the necessary

Existing Regulation	Existing Provisions	Proposed amendments	Rationale
Stock broker	<p>subsidiary company, which has become a stock broker of another stock exchange, then the turnover of the stock broker who is buying, selling or dealing in securities, through the subsidiary company as a sub-broker, shall be excluded from the turnover of the subsidiary company, only if the stock broker has paid five years turnover based fees plus fee for a block of five years in accordance with the regulations, on the concerned stock exchange which has formed</p>		<p>changes are proposed below to align with the same.</p>

Existing Regulation	Existing Provisions	Proposed amendments	Rationale
	the subsidiary company.		
	<p>2. Fees referred to in clauses (a) and (b) of paragraph 1 above shall be paid—</p> <p>(a) in respect of the financial year 1992-93 within one month of the commencement of these regulations;</p> <p>(b) in respect of the financial year beginning on the 1st day of April, 1993 and the following financial years, on or before the first day of October of the financial year to which such payment relates, and such fees</p>	<p>Fees referred to in clauses (a) and (b) of paragraph 1 above shall be paid on or before the first day of October of the financial year to which such payment relates, and such fees shall be computed with reference to the annual turnover relating to the preceding financial year.</p>	<p>Reference to financial year 1992-93 and 1993-94 are proposed to be removed as the same has become redundant.</p>

Existing Regulation	Existing Provisions	Proposed amendments	Rationale
	shall be computed with reference to the annual turnover relating to the preceding financial year.		

27.Amendments in Schedule V -Payment of Fees by Stock Brokers/Clearing Members/ Self- Clearing Members

Existing Regulation	Existing Provisions	Proposed amendments	Rational
Part A - Applicability	1 This Schedule shall apply to stock brokers in cash segment from the following points of time: (a) All stock brokers who are granted registration by the Board on or after the first day of October, 2006 — upon grant of such registration;	1.This Schedule shall apply to stockbrokers in cash segment This Schedule shall apply to every stockbroker who deals in cash segment and every clearing member/ self-clearing member who clears and settles trades in cash segment, from the date of grant of registration.	As reference to Financial year 2006 has become redundant, proposed the given changes.

Existing Regulation	Existing Provisions	Proposed amendments	Rational
	<p>(b) All stock brokers who were granted registration by the Board on or after the first day of April, 2006, but before the first day of October, 2006 — from the first day of October, 2006;</p> <p>(c) All stock brokers who have not completed five financial years from the date of grant of registration by the Board, as on the thirty first day of March, 2006 — upon completion of ten financial years from the date of grant of registration by the Board;</p> <p>(d) All stock</p>		

Existing Regulation	Existing Provisions	Proposed amendments	Rational
	<p>brokers who have completed five financial years from the date of grant of registration by the Board, as on the thirty first day of March, 2006 — upon completion of the current block of five financial years, within the meaning of item I(1)(c) of Schedule III;</p> <p>(e) All stock brokers falling under sub-clause (c) or (d), who opt in accordance with clause 2 of this Schedule — from such date as may be specified by the Board</p>		
Part B –	4A. The non-	4A. The non-refundable	While Regulation 3 and

Existing Regulation	Existing Provisions	Proposed amendments	Rational
Charge of fees	refundable fee payable along with an application for registration under sub-regulation (4) of regulation 3 or sub-regulation (4) of regulation 10A shall be a sum of fifty thousand rupees: Provided that the non-refundable fee payable along with an application for registration, by a person dealing, clearing and settling trades, on a national commodity derivatives exchange or regional commodity derivatives exchange, immediately	fee payable along with an application for registration under regulation 3 or regulation 10A shall be a sum of fifty thousand rupees	10A talks about registration of the Stock Broker and Clearing Member, the sub-regulation (4) of Regulation 3 states that every registered stock broker can act as underwriter. This has no connection with seeking registration as stock broker. Further, there is no sub-regulation (4) of Regulation 10A. Hence, the given necessary changes are proposed. Further, since the period of application made prior to the transfer and vesting of rights and assets of the Forward Markets Commission with the Securities and Exchange Board of India is already elapsed, it is proposed to delete the proviso to Regulation 4A, as the same is redundant now.

Existing Regulation	Existing Provisions	Proposed amendments	Rational
	before the transfer and vesting of rights and assets of the Forward Markets Commission with the Securities and Exchange Board of India, shall be a sum of twenty-five thousand rupees or five thousand rupees, respectively.		

**SECURITIES AND EXCHANGE BOARD OF INDIA
(STOCK BROKERS) REGULATIONS, XXXX
CONTENTS**

CHAPTER I: PRELIMINARY

- 1. Short title and commencement**
- 2. Definitions**

CHAPTER II: REGISTRATION OF STOCK BROKERS

- 3. Application for registration of Stock brokers**
- 4. Furnishing of information, clarification**
- 5. Consideration of application for grant of registration**
- 6. Activities under Separate Business Unit**
- 7. Procedure for registration**
- 8. Procedure when registration is not granted**
- 9. Payment of fees**
- 10. Conditions for registration**
- 11. Approval for operation in other stock exchange(s) or segment(s) of stock exchange**

CHAPTER III: REGISTRATION OF CLEARING MEMBERS

- 12. Application for registration**
- 13. Applicability of Chapter II**
- 14. Payment of fees**
- 15. Approval for operation in other clearing corporation(s) or segment(s) of clearing corporation.**
- 16. Application of Chapters IV, VI & VII**

CHAPTER IV: GENERAL OBLIGATIONS AND RESPONSIBILITIES

- 17. To maintain proper books of account, records, etc.**
- 18. Maintenance of books of account and records**
- 19. Appointment of Compliance officer**
- 20. Enhanced obligations and responsibilities for qualified stock brokers**
- 21. Obligations and responsibilities for stock brokers**
- 22. Investor Charter**
- 23. Grievance Redressal Mechanism**
- 24. Activities restricted/prohibited for stock brokers**

CHAPTER V: INSTITUTIONAL MECHANISM FOR PREVENTION AND DETECTION OF FRAUD OR MARKET ABUSE

- 25. Systems for surveillance of trading activities and internal controls**
- 26. Obligations of the stock broker and its employees**
- 27. Escalation and reporting mechanisms**
- 28. Whistle blower policy**

CHAPTER VI: PROCEDURE FOR INSPECTION

- 29. Board's right to inspect**
- 30. Procedure for inspection**
- 31. Obligations of stock broker on inspection by the Board**
- 32. Submission of report to the Board**
- 33. Action on inspection or investigation report**
- 34. Appointment of Auditor**

CHAPTER VII: PROCEDURE FOR ACTION IN CASE OF DEFAULT

- 35. Liability for contravention of the Act, rules or the regulations**

36. Liability for monetary penalty

37. Liability for action under the Securities and Exchange Board of India (Intermediaries) Regulations, 2008

38. Liability for prosecution

CHAPTER VIII: POWER TO RELAX STRICT ENFORCEMENT OF THE REGULATIONS

39. Exemption from enforcement of the regulations in special cases

40. Power to relax strict enforcement of the regulations on the basis of application.

CHAPTER IX- MISCELLEANOUS

41. Power to remove difficulties

42. Power to specify procedures, etc. and issue clarifications

43. Repeal and Savings

SCHEDULE I –FORMS

FORM A: Application Form for Registration as Stock broker with Securities and Exchange Board of India

FORM B: Application Form for Registration as Clearing Member with Securities and Exchange Board of India

FORM C: Certificate of Registration [Regulations 7 and 13]

SCHEDULE II-CODE OF CONDUCT FOR STOCK

BROKERS SCHEDULE III: FEES TO BE PAID BY THE STOCK BROKERS

SCHEDULE IV: PAYMENT OF FEES BY STOCK BROKERS/ CLEARING MEMBERS/ SELF-CLEARING MEMBERS

SCHEDULE V: NET WORTH AND DEPOSIT REQUIREMENTS FOR STOCK BROKERS/ CLEARING MEMBERS/ SELF-CLEARING MEMBERS

SECURITIES AND EXCHANGE BOARD OF INDIA (STOCK BROKERS) REGULATIONS, XXXX

S.O.780 (E):- In exercise of the powers conferred by section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board hereby 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 (Stock brokers) Regulations, XXXX.
- (2) These regulations shall come into force on the date of their publication in the Official Gazette.

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) “algorithmic trading” means any order generated/placed using automated execution logic.
- (c) “certificate” means a certificate of registration issued by the Board;
- (d) “change in control” –
 - (i) in case of a body corporate –
 - (A) if its shares are listed on any recognised stock exchange, shall be construed with reference to the definition of control in terms of regulations framed under clause (h) of sub-section (2) of section 11 of the Act;
 - (B) if its shares are not listed on any recognised stock exchange, shall be construed with reference to the definition of control as provided in sub-section (27) of Section 2 of the Companies Act, 2013 (18 of 2013);

(ii) in a case other than that of a body corporate, shall be construed as any change in its legal formation or ownership or change in controlling interest.

Explanation – For the purpose of sub-clause (ii), the expression “controlling interest” means an interest, direct or indirect, to the extent of not less than fifty percent of voting rights or interest;

- (e) "clearing corporation" shall mean a clearing corporation as defined in clause (d) of sub-regulation (1) of regulation 2 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018;
- (f) "clearing member" means a person having clearing and settlement rights in any recognised clearing corporation.
- (g) “designated director” shall have the same meaning as assigned to it under the Prevention of Money laundering (Maintenance of Records Rules), 2005;
- (h) “employees” shall include key managerial personnel, senior management, Designated Directors, other employees and analogous or equivalent persons of the stock broker;
- (i) “Execution Only Platform” means any digital or online platform which facilitates transactions such as subscription, redemption and switch transactions in direct plans of schemes of Mutual Funds.
- (j) “form” means a form specified in Schedule I;
- (k) “fraud” shall have the same meaning as assigned to it under the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003;
- (l) “inspecting authority” means one or more persons appointed by the Board to exercise powers conferred under Chapter VI of these regulations;
- (m) “key managerial personnel” shall have the same meaning as assigned to it under sub-section (51) of section 2 of the Companies Act, 2013;
- (n) “market abuse” includes a manipulative, fraudulent and unfair trade practice including through a mule account which may contravene any of the provisions of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 or the Securities and Exchange Board of India (Prohibition of Insider Trading)

Regulations, 2015 or Section 12A of the Act;

- (o) "mule account" shall have the same meaning as assigned to it under the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003;
- (p) "professional clearing member" means a member having clearing and settlement rights in any recognized clearing corporation, but not having trading rights as that of a stock broker in corresponding recognized stock exchange/segment of recognized stock exchange.
- (q) "proprietary trading" means trading in any segment of the recognised stock exchange, in its own account by a stock broker.
- (r) "proprietary trading member" means a stock broker whose trades are exclusively proprietary trades;
- (s) "qualified stock broker" means a stock broker referred to in regulation 20 of these regulations;
- (t) "regulations" means Securities and Exchange Board of India (Stock brokers) Regulations, 2025;
- (u) "Securities Contract (Regulation) Act" means Securities Contract (Regulation) Act, 1956 (42 of 1956);
- (v) "self-clearing member" means a member of a clearing corporation who is also a stock broker and clears and settles trades on its own account or on account of its clients only.
- (w) "senior management" shall have the same meaning as assigned to it under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (x) "stock exchange" means a stock exchange which is for the time being recognised by the Central Government or by the Board under section 4 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);
- (y) "stock broker" means a person having trading rights in any recognised stock exchange and includes a trading member;
- (z) "suspicious activity" shall mean a fraudulent or suspicious activity in respect of know your client requirements, suspicious order placing or trading activities.

(aa)“underwriter” means a person who engages in the business of underwriting of an issue of securities of a body corporate.

(bb)“underwriting” means an agreement to subscribe to or procure subscription for securities, issued or offered for sale, remaining unsubscribed.

(cc)“issue” means an offer of sale or purchase of securities by any body corporate, or by any other person or group of persons on its or his or their behalf, as the case may be, to or from the public, or the holders of securities of such body corporate or person or group of persons through a merchant banker;

(2) Words and expressions used and not defined in these regulations but defined in the Act, the Companies Act, 2013, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those Acts, rules or regulations made thereunder or any statutory modification or re-enactment thereto, as the case may be.

CHAPTER II

REGISTRATION OF STOCK BROKERS

Application for registration of Stock brokers.

3. (1) No entity shall act as a stock broker, unless it obtains a certificate of registration from the Board.

Provided that no separate registration shall be required for a clearing member registered with the Board to act as a stock broker in a stock exchange of which he is admitted as a member, subject to grant of approval by the concerned stock exchange.

Explanation. - For the purpose of this sub-regulation, it is clarified that no separate registration shall be required for a stock broker registered with the Board to operate in more than one stock exchange, of which he is admitted as a member, subject to grant of approval by the concerned stock exchange.

(2) An application for grant of a certificate of registration as a stock broker shall be submitted to the Board in Form A of Schedule I through the stock exchange of which

it is admitted as a member.

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

(4) Every stock broker holding a valid certificate of registration shall be entitled to act as an underwriter.

Furnishing of information, clarification.

4. (1) The Board may require the applicant, or the concerned stock exchange, to furnish further information or clarifications, regarding the trading, settling or dealing in securities and matter connected thereto, to consider the application for grant of a certificate.

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

Consideration of application for grant of registration.

5. The Board shall take into account for considering the grant of a certificate, all matters relating to trading, settling or dealing in securities and in particular the following, namely, whether the applicant, -

- (a) is eligible to be admitted as a member of a stock exchange;
- (b) has necessary infrastructure like adequate office space, equipment and manpower to effectively discharge his activities;
- (c) has any past experience in the business of trading or dealing in securities, as the case may be;
- (d) has been subjected to disciplinary proceedings under the rules, and bye-laws of a stock exchange, or enforcement action under securities laws, with respect to his business as a stock broker involving either himself or any of his partners, directors or employees;
- (e) is a fit and proper person based on the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008;
- (f) has any financial liability which is due and payable in terms of the Act, the Securities Contracts (Regulation) Act, 1956 or rules and regulations

thereunder;

- (g) has obtained certification in terms of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 or as may be specified by the Board;
- (h) satisfies the minimum net worth and deposit requirements as specified in Schedule V, for the segment for which membership or approval is sought.
- (i) in case of a company, has at least one designated director, who stays in India for a total period of not less than one hundred and eighty-two days during the financial year.

Activities under Separate Business Unit (SBU)

6.Nothing contained in these regulations shall preclude a stock broker from carrying on any activity, as may be specified by the Board, under the respective guidelines of a financial sector regulator or any other specified authority:

Explanations: For the purposes of this clause, it is clarified that the transactions made by a stock broker in any other platform under the guidelines of the respective regulator or authority shall be under the purview of the said regulator or authority.

Procedure for registration.

7. The Board may, after consideration of the application under regulation 3 and on being satisfied that the applicant has complied with the conditions laid down in regulation 5 grant a certificate of registration in Form C to the stock broker, and send intimation to that effect to the stock exchange(s) of which it is a member.

Procedure when registration is not granted

8. (1) Where an application under regulation 3, does not fulfill the requirements mentioned in regulation 5, the Board may reject the application after giving a reasonable opportunity of being heard.

(2) The refusal to grant the registration certificate shall be communicated by the Board within thirty days of such refusal to the applicant and to the concerned stock

exchange stating therein the grounds on which the application has been rejected.

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

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

Payment of fees

9. Every applicant eligible for grant of a certificate of registration as a stock broker shall pay such fees and in such manner as specified in Schedule III or Schedule IV as the case maybe:

Provided that the Board may on sufficient cause being shown permit the stock broker to pay such fees at any time before the expiry of six months from the date on which such fees become due.

Conditions of registration

10.Registration granted under regulation 7 shall be subject to the following conditions, namely, -

- (a) the stock broker holds the membership of any stock exchange;
- (b) it shall abide by the rules, regulations and bye-laws of the stock exchange in respect of the activities carried on by it as a stock broker;
- (c) where the stock broker proposes change in control, he shall obtain prior approval of the Board by making an application through any one of the stock exchange of which it is admitted as a member and shall intimate other Market Infrastructure Institutions for continuing to act as stock broker after the change;
- (d) the stock broker shall forthwith inform the Board in writing, through any one of the stock exchange of which it is admitted as a member and shall intimate other Market Infrastructure Institutions, if there is any material change in the information already submitted at the time of registration;

- (e) it shall pay fees charged by the Board in the manner provided in these regulations;
- (f) it shall take adequate steps for redressal of grievances, of the investors within twenty- one calendar days of the date of receipt of the complaint and inform the Board as and when required by the Board;
- (g) it shall at all times abide by the Code of Conduct as specified in Schedule II;
- (h) it shall at all times maintain the minimum networth as specified in Schedule V.
- (i) where the stock broker acting as an underwriter, it shall enter into a valid agreement with the body corporate on whose behalf it is acting as underwriter and shall abide by the regulations made under the Act in respect of the activities carried on by it as underwriter.
- (j) Every Stock broker shall be entitled to act as an underwriter only out of its own net worth/funds as may be prescribed from time to time.

Approval for operation in other stock exchange(s) or segment(s) of stock exchange

11. (1) A stock broker registered with the Board, who desires to operate in any other stock exchange or any other segment(s) of the stock exchange of which it holds a membership, shall apply to the concerned stock exchange, in the manner specified by the Board.

(2) A clearing member registered with the Board, who desires to operate in any stock exchange or any segment(s) of the stock exchange, shall apply to the concerned stock exchange in the manner specified by the Board.

(3) On receipt of an application under sub-regulation (1) or sub-regulation (2), the stock exchange shall, on being satisfied with the compliance of provisions of the regulations and other relevant eligibility requirements specified by the Board, grant approval to operate in that stock exchange or segment(s) thereof and shall inform the Board about such grant of approval.

CHAPTER III

REGISTRATION OF CLEARING MEMBERS

Application for registration

12. (1) No person shall act as a clearing member, unless he obtains a certificate of registration from the Board:

Provided that no separate registration shall be required for a stock broker registered with the Board to act as a clearing member in a clearing corporation of which he is admitted as a member, subject to grant of approval by the concerned clearing corporation;

Provided further that no separate registration shall be required for any person registered with the limited purpose clearing corporation as a participant for participating in the tri-party repo segment for undertaking proprietary trades in corporate bonds.

Explanation 1. – For the purpose of this sub-regulation, it is clarified that no separate registration shall be required for a clearing member registered with the Board to operate in more than one clearing corporation, of which he is admitted as a member, subject to grant of approval by the concerned clearing corporation.

Explanation 2. – For the purposes of these regulations, “participant” means any person who is an eligible entity as stipulated under the Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018.

(2) An application for grant of a certificate of registration as clearing member shall be submitted to the Board in Form B of Schedule I through the clearing corporation of which he is admitted as a member.

(3) The Clearing Corporation shall forward the application form to the Board as early as possible, but not later than thirty days from the date of its receipt.

Applicability of Chapter II

13. The provisions of Chapter II shall be applicable mutatis mutandis to registration of a clearing member, except as otherwise provided.

Payment of fees

14. Every applicant eligible for grant of a certificate of registration as a clearing member shall pay such fees and in such manner as specified in Schedule III or Schedule IV as the case maybe:

Provided that the Board may on sufficient cause being shown permit the clearing member to pay such fees at any time before the expiry of six months from the date on which such fees become due.

Approval for operation in other clearing corporation(s) or segment(s) of clearing corporation.

15. (1) A clearing member registered with the Board, who desires to operate in any other clearing corporation or any other segment(s) of the clearing corporation of which it holds a membership, shall apply to the concerned clearing corporation in the manner specified by the Board.

(2) A stock broker registered with the Board, who desires to operate in any clearing corporation or any segment(s) of the clearing corporation, shall apply to the concerned clearing corporation in the manner specified by the Board.

(3) On receipt of an application under sub-regulation (1) or sub-regulation (2), the clearing corporation shall, on being satisfied with the compliance of provisions of the regulations and other relevant eligibility requirements specified by the Board, grant approval to operate in that clearing corporation or segment(s) thereof, and shall inform the Board about such grant of approval.

Application of Chapters IV, VI and VII

16. The provisions of Chapters IV, VI and VII of these regulations shall *mutatis mutandis* apply to a clearing member and self-clearing member.

CHAPTER IV

GENERAL OBLIGATIONS AND RESPONSIBILITIES

To maintain proper books of account, records, etc.

17.(1) Every Stock broker shall keep and maintain, either physically or in electronic form, the following books of account, records and documents, namely: -

- (a) Register of transactions (Sauda Book);
- (b) Clients ledger;
- (c) General ledger;
- (d) Journals;
- (e) Cash book;
- (f) Bank pass book;
- (g) Register of Securities and the statement of account and other records relating to receipt and delivery of securities provided by the depository participants in respect of dematerialized securities;
- (h) Copy of contract notes issued to clients;
- (i) Written consent of clients in respect of contracts entered into as principals;
- (j) Margin deposit book;
- (k) Client account opening form in the format as may be specified by the Board.

(2) A stock broker in the Execution Only Platforms segment, shall keep and maintain, either physically or in electronic form, the books of account, records and documents as may be specified by the Board from time to time.

(3) Every stock broker shall intimate to the stock exchange of which it is admitted as a member, the place where the books of account, records and documents are maintained.

(4) Without prejudice to sub-regulation (1), every stock broker shall, after the close of each accounting period furnish to the stock exchange of which it is admitted as a member, if so required as soon as possible but not later than six months from the close of the said period a copy of the audited balance sheet and profit and loss

account as at the end of the said accounting period:

Provided that, if it is not possible to furnish the above documents within the time specified, the Stock broker shall keep the stock exchange informed of the same together with the reasons for the delay and the period of time by which such documents would be furnished.

(5) (a) Subject to the provisions of any other law, every Stock broker acting as an underwriter shall keep and maintain the following books of account and documents, namely: -

(i) In relation to an underwriter being a body corporate –

1. a copy of the balance sheet and profit and loss account as at the end of each accounting period;
2. a copy of the auditor's report on the accounts for that period;

(ii) In relation to an underwriter not being a body corporate—

1. records in respect of all sums of money received and expended by them and the matters in respect of which the receipt and expenditure take place; and
2. their assets and liabilities.

(b) Every Stock broker acting as an underwriter shall also maintain the following records with respect to -

- (i) details of all agreements
- (ii) total amount of securities of each body corporate subscribed to in pursuance of an agreement
- (iii) such other records as may be specified by the Board for underwriting.

(6) Agreement with clients

Every stock broker acting as an underwriter shall enter into an agreement with each body corporate on whose behalf it is acting as underwriter and the said agreement shall, amongst other things, provide for the following, namely: —

- a) the period for which the agreement shall be in force;
- b) the allocation of duties and responsibilities between the underwriter and the client
- c) the amount of underwriting obligations;

- d) the period, within which the underwriter has to subscribe to the issue after being intimated by or on behalf of such body corporate;
- e) the amount of commission or brokerage payable to the underwriter;
- f) details of arrangements, if any, made by the underwriter for fulfilling the underwriting obligations.

(7) General responsibilities of a Stock broker as an underwriter

- a) Every Stock broker acting as an underwriter shall not derive any direct or indirect benefit from underwriting the issue other than the commission or brokerage payable under an agreement for underwriting.
- b) The total underwriting obligations under all the agreements shall not exceed twenty times of the net worth.
- c) Every Stock broker acting as an underwriter, in the event of being called upon to subscribe for securities of a body corporate pursuant to an agreement shall subscribe to such securities within 45 days of the receipt of such intimation from such body corporate.

Maintenance of books of account and records

18. Every stock broker shall preserve the books of account and other records maintained under regulation 17 for a minimum period of five years.

Appointment of compliance officer

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

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

Enhanced obligations and responsibilities for qualified stock brokers

20. (1) The Board may designate a stock broker as a qualified stock broker having

regard to its size and scale of operations, likely impact on investors and securities market, on the basis of the following parameters and the appropriate weightages thereon: -

- a) the total number of active clients;
- b) the available total assets of clients with the stock broker;
- c) the trading volumes of the stock broker;
- d) the end of day margin obligations of all clients of a stock broker; and
- e) the proprietary trading volumes of the stock broker.

(2) The stock broker designated as a qualified stock broker shall be required to meet enhanced obligations and discharge responsibilities to ensure: -

- a) appropriate governance structure and processes;
- b) appropriate risk management policy and processes;
- c) scalable infrastructure and appropriate technical capacity;
- d) framework for orderly winding down;
- e) robust cyber security framework and processes; and
- f) investor services including online complaint redressal mechanism.

Obligations and responsibilities for stock brokers

21. (1) Without prejudice to the Regulation 20, the stock brokers shall be required to meet obligations and discharge responsibilities, in the manner specified by the Board, covering the following:

I. Protection of clients' funds and securities

- t) Ensure that the clients' funds are available at all times, as prescribed by the Board, stock exchange and/or clearing corporation.
- u) Adhere to the allocation and segregation of collaterals at the client level and upstreaming of client funds provisions, as prescribed by the Board, stock exchange and/or clearing corporation.

- v) Keep the money/securities deposited by the client in a separate account, distinct from its own account or account of any other client and shall not be used by the stock broker for itself or for any other client or for any purpose other than the purposes mentioned in SEBI Rules and Regulations circulars/ guidelines and Rules/Regulations/Bye-laws and circulars issued by a stock exchange / clearing corporation.

II. Risk management and internal control

- w) Adhere to the requirement of internal audit for stock brokers viz. appointment, rotation of Internal Auditors, timeline for submissions of Internal Audit Reports, etc., as prescribed by the Board and/or stock exchange.
- x) Adhere to KYC (Know Your Client) and client due diligence guidelines and procedures, as prescribed by the Board and/or stock exchange.
- y) Bring the contents of the risk disclosure document to the notice of client and make the client aware of the significance of the said document.
- z) Faithfully execute orders on behalf of clients for buying and selling of securities at the best available market price and shall not refuse to deal with an investor merely on the ground of the volume of business involved.
- aa) Execute trades of the clients only after keeping evidence of the client placing such order, in the manner prescribed by the Board and/or stock exchange.
- bb) Monitoring and review of trading activities of the Authorised Persons and branches including periodic inspection of branches assigned to APs and records of the operations carried out by them, as prescribed by the Board and/or stock exchange.
- cc) Shall maintain confidentiality of all the details pertaining to the client and should not disclose such details to any person except as required under any

law or regulatory requirements or with the express written permission of the client.

III. Technology

dd) Have a robust cyber security and cyber resilience framework, including requirement of Vulnerability Assessment and Penetration Tests in accordance with the requirements and submission of such reports, as prescribed by the Board and/or stock exchange from time to time.

ee) Carry out System Audit and submission of the System Audit report, as prescribed by the Board and/or stock exchange.

ff) Adhere to the guidelines on Technical Glitches, as prescribed by the Board and/or stock exchanges, to prevent business disruptions.

gg) Comply with advisory for financial sector organisations regarding Software as a Service (SaaS) based solutions.

IV. General obligations

hh) Ensure the enrolment and continuation thereof during the period of membership of a stock exchange, on the common Online Dispute Resolution Portal (ODR) or such other platform, as prescribed by the Board and/or stock exchange.

ii) Adhere to the Code of Advertisement, as prescribed by the Board and/or stock exchange.

jj) Adhere to the guidelines on outsourcing of activities, as prescribed by the Board and/or stock exchange.

kk) Carry out any other audit on terms and conditions, as prescribed by Board and/or stock exchange.

- II) Adhere to Regulations as prescribed by Board from time to time.

22. Investor Charter

The stock broker shall ensure compliance with the Investor Charter specified by the Board from time to time.

23. Grievance Redressal Mechanism

The stock broker shall redress investor grievances promptly but not later than twenty-one calendar days from the date of receipt of the grievances and in such manner as may be specified by the Board.

Activities restricted/prohibited for stock brokers

24. (1) Without prejudice to the obligations of the stock broker under the SEBI Act, 1992 or any Rules /Regulations/circulars/ guidelines framed thereunder and/or stock exchange Rules/ Regulations/Bye-laws and circulars and/or clearing corporation Rules/Regulations/Bye-laws and circulars and/or depositories Rules/Regulations/Bye-laws and circulars, stock broker shall refrain from -

- a) Engaging in activities/schemes of fixed / periodic payments, which are not permitted under the Byelaws, Rules & Regulations of a recognized stock exchange and circulars, including operating any schemes of unauthorised collective investments/portfolio management, promising indicative/ guaranteed/fixed returns/payments etc., as prescribed by the Board and/or stock exchange.
- b) Engaging in any activity not permitted under Rule 8(1)(f) and Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957.
- c) Accepting cash from its clients either directly or by way of cash deposit to the bank account of the stock broker.

CHAPTER V

INSTITUTIONAL MECHANISM FOR PREVENTION AND DETECTION OF FRAUD OR MARKET ABUSE

Systems for surveillance of trading activities and internal controls

25. The key managerial personnel and senior management including Designated Directors and persons of other equivalent or analogous rank of the stock broker shall put in place adequate systems for surveillance of trading activities and internal control systems to ensure compliance with all the regulatory requirements as may be specified by the Board or the stock exchanges from time to time, for the detection, prevention and reporting of potential fraud or market abuse by its clients, employees or Authorised Persons.

Obligations of the stock broker and its employees

- 26.** (1) The stock broker shall establish and maintain adequate know your client surveillance systems and shall obtain adequate information to determine and verify the identification of the clients who have or propose to have accounts with such stock brokers or conduct any transaction related to the securities market through the aid or agency of such stock broker.
- (2) The stock broker shall, having regard to the nature of business and the size of its operations, establish and maintain adequate surveillance system for monitoring the orders and trades and internal control procedures, in order to detect potential fraud or market abuse by its clients, employees or Authorised Persons.
- (3) The policies and procedures relating to the surveillance systems and internal controls shall be clearly documented and shall define the roles and responsibilities of its employees, the corrective actions to be taken and the guidelines for reporting of activities as specified under regulation 27 of this Chapter.

- (4) The stock broker shall customize its surveillance systems and internal controls in a manner that is commensurate with the complexity of the transactions being undertaken by it and its business activities.
- (5) The thresholds for generation of alerts for various scenarios shall be set at a reasonable level and be documented along with clear rationale for the same.
- (6) The Board of Directors or persons of other equivalent or analogous rank of the stock broker shall review and update the systems, processes, and control procedures on a periodic basis and in any case not less than once in a calendar year, to keep pace with the developments in the securities market and regulatory changes, including the progressive adoption of automated know your client procedures and the order and trade surveillance systems to enhance the monitoring of trading activities.
- (7) The stock broker shall have adequate systems in place to ensure that its proprietary accounts are used only for the purpose of carrying out proprietary trades and that its operations are in accordance with the requirements as may be specified by the Board or the stock exchanges from time to time.
- (8) The stock broker shall ensure that its trading terminals are used only by its employees and/or Authorised Persons and only at locations approved by the stock exchanges and that such terminals shall not be used by its clients in any form or manner.
- (9) The stock broker shall establish and maintain documented processes and systems to detect potential mule accounts or suspicious activity.
- (10) Any employee of the stock broker, upon having knowledge of any fraud, market abuse or suspicious activity shall forthwith inform the same to the senior management.

Escalation and reporting mechanisms

- 27.** (1) The Audit Committee or the Board of Directors or persons of other equivalent or analogous rank of the stock broker, shall review the compliance with the provisions of the framework under this Chapter of these regulations not less than

once in a quarter and shall verify the adequacy and efficiency of the systems for internal control and reporting by analysing the relevant data.

- (2) The stock broker shall on the detection of any suspicious activity, inform the same along with the details to the stock exchanges, as soon as reasonably possible, but in any case not later than forty eight hours from such detection, in such manner as may be specified by the Board or the stock exchanges from time to time.
- (3) The stock broker shall submit a summary analysis and action taken report on instances of suspicious activity, fraud and market abuse or a 'nil report' where no such instances were detected, on a half-yearly basis to the stock exchanges.
- (4) Any deviation in adherence to internal controls, risk management policy, surveillance policy, policy for onboarding of clients along with the proposed corrective actions for such deviation shall be placed before the appropriate Committee, Board of Directors or such other equivalent or analogous bodies of the stock broker at regular intervals and such deviations shall also form a part of the report to be submitted by the stock broker to the stock exchanges in terms of sub-regulation (3) of this regulation.
- (5) The stock broker shall obtain guidance from the stock exchanges on any suspicious activity which were identified by it, but the violation of the provisions of any applicable law in respect of such activity could not be ascertained due to the limited information available with the stock broker.

Whistle blower policy

- 28.**(1) The stock broker shall establish, implement and maintain documented whistle blower policy providing for a confidential channel for employees and other stakeholders to raise concerns about suspected fraudulent, unfair or unethical practices, violations of regulatory or legal requirements or governance vulnerability.
- (2) The policy should establish procedures to ensure adequate protection of the whistle blowers.
 - (3) The complaints under this regulation against the Board of Directors including those against the Managing Director, Chief Executive Officer, key managerial

personnel, Designated Directors or Promoter shall be addressed to the Audit Committee or other analogous body of the stock broker and the complaints against other employees shall be addressed to the Compliance Officer.

CHAPTER VI

PROCEDURE FOR INSPECTION

Board's right to inspect

- 29.**(1) Where it appears to the Board so to do, it may appoint one or more persons as inspecting authority to undertake inspection of the books of account, other records and documents of the stock brokers for any of the purposes specified in sub-regulation (2).
- (2) The purposes referred to in sub-regulation (1) shall be as follows, namely: -
- (a) to ensure that the books of account and other books are being maintained in the manner required;
 - (b) that the provisions of the Act, rules, regulations and the provisions of the Securities Contracts (Regulation) Act, and the rules made thereunder are being complied with.
- (3) Notwithstanding anything contained in sub-regulations (1) and (2) above, the recognised stock exchange(s), clearing corporation and depository may conduct inspection of stock brokers, in accordance with their respective bye-laws.
- (4) the Board and the recognised stock exchange(s), clearing corporation and depository may conduct joint inspection of the stock brokers.

Procedure for inspection

- 30.**(1) Before undertaking any inspection under regulation 29, the Board shall give a reasonable notice to the stock broker for that purpose.
- (2) Notwithstanding anything contained in sub-regulation (1), where the Board is satisfied that in the interest of the investors or in public interest no such notice

should be given, it may by an order in writing direct that the inspection of the affairs of the stock broker be taken up without such notice.

- (3) On being empowered by the Board, the inspecting authority shall undertake the inspection and the stock broker against whom an inspection is being carried out shall be bound to discharge his obligations as provided under regulation 31.

Obligations of stock broker on inspection by the Board

- 31.(1) It shall be the duty of every director, proprietor, partner, officer and employee of the stock broker, who is being inspected, to produce to the inspecting authority such books, accounts and other documents in its custody or control and furnish him with the statements and information relating to the transactions in securities market within such time as the said officer may require.
- (2) The stock broker shall allow the inspecting authority to have reasonable access to the premises occupied by such stock broker or by any other person on his behalf and also extend reasonable facility for examining any books, records, documents and computer data in the possession of the stock broker or any other person and also provide copies of documents or other materials which, in the opinion of the inspecting authority are relevant.
- (3) The inspecting authority, in the course of inspection, shall be entitled to examine or record statements of any member, director, partner, proprietor and employee of the stock- broker.
- (4) It shall be the duty of every director, proprietor, partner, officer and employee of the stock broker to give to the inspecting authority all assistance in connection with the inspection, which the stock broker may reasonably be expected to give.

Submission of report to the Board

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

Action on inspection or investigation report

- 33.** The Board shall after consideration of inspection or investigation report take such action as it may deem fit and appropriate including action under Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, Chapter VIA of the Act or section 24 of the Act.

Appointment of auditor

- 34.** Notwithstanding anything contained above, the Board may appoint a qualified auditor to investigate into the books of account or the affairs of the stock broker:

Provided that, the auditor so appointed shall have the same powers of the inspecting authority as mentioned in regulation 29 and the obligations of the stock broker in regulation 31 shall be applicable to the investigation under this regulation.

CHAPTER VII

PROCEDURE FOR ACTION IN CASE OF DEFAULT

Liability for contravention of the Act, rules or the regulations

- 35.** A stock broker who contravenes any of the provisions of the Act, rules or regulations framed thereunder shall be liable for any one or more of the following actions –
- (i) Monetary penalty under Chapter VIA of the Act.
 - (ii) Penalties as specified under Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 including suspension or cancellation of certificate of registration as a stock broker.
 - (iii) Prosecution under section 24 of the Act.

Liability for monetary penalty

- 36.** A stock broker shall be liable for monetary penalty in respect of the following violations, namely -

- (i) Failure to file any return or report with the Board.
- (ii) Failure to furnish any information, books or other documents within 15 days of issue of notice by the Board.
- (iii) Failure to maintain books of account or records as per the Act, rules or regulations framed thereunder.
- (iv) Failure to take adequate steps for redressal of grievances of investors within twenty-one calendar days of receipts of complaint.
- (v) Failure to issue contract notes in the form and manner specified by the Stock Exchange of which such broker is a member.
- (vi) Failure to deliver any security or make payment of the amount due to the investor within such time, as specified by Board or stock exchange from time to time, unless the client has agreed in writing otherwise.
- (vii) Charging of brokerage which is in excess of brokerage specified in the regulations or the bye-laws of the stock exchange.
- (viii) Dealing in securities of a body corporate listed on any stock exchange on his own behalf or on behalf of any other person on the basis of any unpublished price sensitive information in possession of the stock broker.
- (ix) Procuring or communicating any unpublished price sensitive information except as required in the ordinary course of business or under any law for the time being in force.
- (x) Counselling any person to deal in securities of any body corporate on the basis of unpublished price sensitive information.
- (xi) Indulging in fraudulent and unfair trade practices relating to securities.
- (xii) Failure to maintain client account opening form.
- (xiii) Failure to segregate his own funds or securities from the client's funds or securities or using the securities or funds of the client for his own purpose or for purpose of any other client.
- (xiv) Failure to comply with directions issued by the Board under the Act or the regulations framed thereunder.
- (xv) Failure to exercise due skill, care and diligence.
- (xvi) Failure to obtain prior approval of the Board through any one of the stock

exchange of which it is admitted as a member and intimation to other MIs in case of change in control of the stock broker.

(xvii) Failure to satisfy the net worth or capital adequacy norms, if any, specified by the Board.

(xviii) Extending use of trading terminal to any unauthorized person or place.

(xix) Violations for which no separate penalty has been provided under these regulations.

Liability for action under the Securities and Exchange Board of India (Intermediaries) Regulations, 2008

37. A stock broker shall be liable for any action as specified in Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 including suspension or cancellation of his certificate of registration as a stock broker, if he –

- (i) ceases to be a member of a stock exchange; or
- (ii) has been declared defaulter by a stock exchange and not re-admitted as a member within a period of six months; or
- (iii) surrenders his certificate of registration to the Board; or
- (iv) has been found to be not a fit and proper person by the Board under these or any other regulations; or
- (v) has been declared insolvent or order for winding up has been passed in the case of a broker being a company registered under the Companies Act, 2013; or
- (vi) or any of the partners or any whole-time director in case a broker is a company registered under the Companies Act, 2013 has been convicted by a court of competent jurisdiction for an offence involving moral turpitude; or
- (vii) fails to pay fee as per Schedule III or Schedule IV of these regulations; or
- (viii) fails to comply with the rules, regulations and bye-laws of the stock exchange of which he is a member; or
- (ix) fails to co-operate with the inspecting or investigating authority; or
- (x) fails to abide by any award of the Ombudsman or decision of the Board under the Regulations, prescribed by Board from time to time; or

- (xi) fails to pay the penalty imposed by the Adjudicating Officer; or
- (xii) indulges in market manipulation of securities or index; or
- (xiii) indulges in insider trading in violation of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (as amended or re-enacted from time to time); or
- (xiv) violates Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (as amended or re-enacted from time to time); or
- (xv) commits violation of any of the provisions for which monetary penalty or other penalties could be imposed; or
- (xvi) fails to comply with the circulars issued by the Board; or
- (xvii) commits violations specified in regulation 34 which in the opinion of the Board are of a grievous nature.

Liability for prosecution

38. A stock broker shall be liable for prosecution under section 24 of the Act for any of the following violations, namely:-

- (i) Dealing in securities without obtaining certificate of registration from the Board as a stock broker.
- (ii) Dealing in securities or providing trading floor or assisting in trading outside the recognized stock exchange in violation of provisions of the Securities Contracts (Regulation) Act, 1956 or rules made or notifications issued thereunder.
- (iii) Market manipulation of securities or index.
- (iv) Indulging in insider trading in violation of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (as amended or re-enacted from time to time).
- (v) Violating the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (as amended or re-enacted from time to time).
- (vi) Failure without reasonable cause—
 - (a) to produce to the investigating authority or any person authorized by

him in this behalf, any books, registers,

(b) to appear before the investigating authority personally or to answer any question which is put to him by the investigating authority; or

(c) to sign the notes of any examination taken down by the investigating authority.

(vii) Failure to pay penalty imposed by the adjudicating officer or failure to comply with any of his directions or orders.

CHAPTER VIII

POWER TO RELAX STRICT ENFORCEMENT OF THE REGULATIONS

Exemption from enforcement of the regulations in special cases

39. (1) The Board may, exempt any person or class of persons from the operation of all or any of the provisions of these regulations for a period as may be specified but not exceeding twelve months, for furthering innovation relating to testing new products, processes, services, business models, etc., in live environment of regulatory sandbox in the securities markets.

(2) Any exemption granted by the Board under sub-regulation (1) shall be subject to the applicant satisfying such conditions as may be specified by the Board including conditions to be complied with on a continuous basis.

Explanation. - For the purposes of these regulations, "regulatory sandbox" means a live testing environment where new products, processes, services, business models, etc. may be

deployed on a limited set of eligible customers for a specified period of time, for furthering innovation in the securities market, subject to such conditions as may be specified by the Board.

Power to relax strict enforcement of the regulations on the basis of application

40. (1) The Board may (suo moto or an application made in this regard), in the interest of development and regulation of securities market, relax the strict

enforcement of any requirements of these regulations, if the Board is satisfied that:

- (f) Any provisions of Act(s), Rule(s), Regulation(s) under which the entity is established or is governed by, is required to be given precedence to; or
- (g) The requirement may cause undue hardships to investors; or
- (h) The requirement is procedural or technical in nature; or
- (i) The non-compliance is caused due to factors affecting a class of persons but being beyond the control of the person; or
- (j) The requirement is not relevant for a particular class of industry or person.

(2) For seeking relaxation under sub-regulation (1), an application, detailing the grounds on which such relaxation has been sought, shall be filed with the Board along with a non-refundable fee, as prescribed from time to time.

(3) The Board shall process such application and shall record reasons for acceptance or refusal of relaxations sought by the applicant.

(4) The Board may seek recommendation from a stock exchange and/or clearing corporation, as it may deem fit, in order to process the application.

(5) Confidentiality of request:

- a. Any person submitting a letter or written communication under this regulation may request that it receive confidential treatment for a specified period of time not exceeding 180 (One Hundred and Eighty) days from the date of the Board's response. The request shall include a statement of the basis for confidential treatment.
- b. If the Board determines to grant the request, the letter or written communication will not be available to the public until the expiration of the specified period.
- c. If it appears to the Board that the request for confidential treatment should be denied, the requestor will be so advised with reasons and such person may withdraw the letter or written communication, in which case the fee, if any, paid by the requestor would be refunded.
- d. In case where a request has been withdrawn under clause (c), no response will be given and the letter or written communication will remain

in the records of the Board but will not be made available to the public.

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

CHAPTER IX

MISCELLANEOUS

Power to remove difficulties

- 41.** In order to remove any difficulties in the interpretation or application of the provisions of these regulations, the Board shall have the power to issue directions through guidance notes or circulars.

Power to specify procedures, etc. and issue clarifications

- 42.** For the purposes of implementation of these regulations and matters incidental thereto, the Board may specify norms, procedures, processes, manners or guidelines as specified in these regulations, by way of circulars to recognised stock exchange(s) and recognised clearing corporation(s).

43. Repeal and Savings

- 1) On and from the commencement of these regulations, the Securities and Exchange Board of India (Stock Brokers), Regulations 1992 shall stand rescinded.
- 2) Notwithstanding such rescission, anything done or any action taken or purported to have been done or taken including observation made in respect of inspection, any enquiry or investigation commenced or show cause notice issued in respect of the said Regulations shall be deemed to have been done or taken under the corresponding provisions of these regulations.

SCHEDULE I

FORMS

FORM A

[Regulation 3]

Application Form for Registration as Stock broker with Securities and Exchange Board of India

Table 1:

Sl. No.	Particulars	Details
1	Name of Member with Code No.	
2	Trade name of Member	
3	Name of the Stock Exchange/ segment of which the applicant is the member	
4	Date of admission to exchange/ segment	
5	Address of Member	
6	Phone Number(s) of office and residence and email address	
7	Form of Organization—Sole proprietorship, partnership, corporate body, financial	
8	Net worth along with supporting document	
9	PAN of the applicant	

Table 2: Details of proprietor/ partners/ directors

Sl. No.	Names	Age	PAN	Educational Qualifications	Experience in derivatives trading or securities market, as applicable

Other details:

1. Please furnish a copy of the memorandum and articles of association or the partnership deed, as the case may be.
2. If the applicant intends to clear and settle his trades through a clearing member, the applicant is required to furnish the name and details of the clearing member along with a copy of MoU/ agreement/ contract with them for the same.
3. Whether the application is accompanied by a requisite fee as per Schedule III or Schedule IV of the Regulations as applicable to the applicant.

Undertaking:

Declaration from the Applicant, its director or partners for Fit and Proper Person in line with the SEBI (Intermediaries) Regulations, 2008, as amended from time to time.

Based on the declaration received, the Board shall decide whether an applicant is Fit and Proper Person or not.

Declaration:

I declare that the information given in this form is true and in the event of any information furnished is false, misleading or suppression of facts, my certificate of registration is liable to be cancelled by SEBI without assigning any reasons whatsoever.

Dated.....

Signature

**RECOMMENDATION OF THE STOCK
EXCHANGE**

This is to certify that is a member of this Stock Exchange and is recommended for registration with the Securities and Exchange Board of India.

Signature:

Name:

Designation

FORM B

[Regulation 12]

**Application Form for Registration as Clearing Member with Securities and
Exchange Board of India**

Table 1:

Sl. No.	Particulars	Details
1.	Name of Member with Code	
2.	Trade name of Member	
3.	Name of the Clearing Corporation of which the applicant is the member	
4.	Date of admission to Clearing Corporation	
5.	Address of Member	
6.	Phone Number(s) of office and residence and email address	

7.	Form of Organization—Sole proprietorship, partnership, corporate body, financial institution, others (please specify)	
8.	Net worth along with supporting document	
9.	PAN of the applicant	

Table 2: Details of proprietor/ partners/ directors

Sl. No	Names	Age	PAN	Educational Qualifications	Experience in derivatives trading or securities market, as applicable

Other details:

1. Please furnish a copy of the memorandum and articles of association or the partnership deed, as the case may be.
2. Whether the application is accompanied by a requisite fee as per Schedule IV of the Regulations as applicable to the applicant.

Undertakings:

Declaration from the Applicant, its director or partners for Fit and Proper Person in line with the SEBI (Intermediaries) Regulations, 2008, as amended from time to time.

Based on the declaration received, the Board shall decide whether an applicant is Fit and Proper Person or not.

Declaration:

I declare that the information given in this form is true and in the event of any information furnished is false, misleading or suppression of facts, my certificate of registration is liable to be cancelled by SEBI without assigning any reasons

whatsoever.

Dated.

Signature

RECOMMENDATION OF THE CLEARING CORPORATION

This is to certify that..... is a member of this Clearing Corporation and is recommended for registration with the Securities and Exchange Board of India.

Signature:

Name:

Designation:

FORM C

[Regulations 7 and 13]

CERTIFICATE OF REGISTRATION

In exercise of the powers conferred by sub-section (1) of section 12 of the Securities and Exchange Board of India Act, 1992, read with the rules and regulations made thereunder, the Board hereby grants a certificate of registration to..... as a stock broker/ proprietary trading member/ clearing member for carrying on the activities of buying, selling or dealing in securities/ clearing and settlement of trades and for carrying on such other activities as are permitted by stock exchange(s)/ clearing corporation(s), subject to the conditions specified therefor, from time to time, by the Board.

Registration number allotted is as under:

This certificate shall be valid till it is suspended or cancelled in accordance with the Regulations.

Date:

By order

For and on behalf of Securities and Exchange Board of India

SCHEDULE II

Securities and Exchange Board of India (Stock Brokers) Regulations, XXXX

CODE OF CONDUCT FOR STOCK BROKERS

[Regulation 10]

A. General.

- (1) Integrity: A stock broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.
- (2) Exercise of due skill and care: A stock broker shall act with due skill, care and diligence in the conduct of all his business.
- (3) Manipulation: A stock broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains.
- (4) Malpractices: A stock broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors interest or which leads to interference with the fair and smooth functioning of the market. A stock broker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness.
- (5) Compliance with statutory requirements: A stock broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him.
- (6) False or Misleading Returns: A stock broker shall not neglect or fail or refuse to

submit the required returns and not make any false or misleading statement on any returns required to be submitted to the Board and the stock exchange.

B. Duty to the Investor

- (1) Execution of Orders: A stock broker shall promptly inform his client about the execution or non-execution of an order, and make prompt payment in respect of securities sold and arrange for prompt delivery of securities purchased by clients.
- (2) Issue of Contract Note: A stock broker shall issue a contract note to his client, within specified timeline, for all transactions in the form specified by the stock exchange.
- (3) Breach of Trust: A stock broker shall not disclose or discuss with any other person or make improper use of the details of personal investments and other information of a confidential nature of the client which he comes to know in his business relationship.
- (4) Business and Commission:
 - (a) A stock broker shall not encourage sales or purchases of securities with the sole object of generating brokerage or commission.
 - (b) A stock broker shall not furnish false or misleading quotations or give any other false or misleading advice or information to the clients with a view of inducing him to do business in particular securities and enabling himself to earn brokerage or commission thereby.
- (5) Business of Defaulting Clients: A stock-broker shall not deal or transact business knowingly, directly or indirectly or execute an order for a client who has failed to carry out his commitments in relation to securities with another stock-broker.
- (6) Fairness to Clients: A stock broker, when dealing with a client, shall disclose whether he is acting as a principal or as an agent and shall ensure at the same time, that no conflict of interest arises between him and the client. In the event of a conflict of interest, he shall inform the client accordingly and shall not seek to gain a direct or indirect personal advantage from the situation and shall not consider clients' interest inferior to his own.

- (7) Investment Advice: A stock broker, while providing incidental advice to its broking clients who might be expected to rely thereon to acquire, dispose of, retain any securities, shall comply with the Chapter III of SEBI (Investment Advisors) Regulations, 2013, as amended from time to time.
- (8) Competence of Stock broker: A stock broker should have adequately trained staff and arrangements to render fair, prompt and competence services to his clients.

C. Stock brokers vis-a-vis Other Stock brokers

- (1) Advertisement and Publicity: A stock broker shall not advertise his business publicly unless permitted by the stock exchange.
- (2) Inducement of Clients: A stock broker shall not resort to unfair means of inducing clients from other stock brokers.

D. Duty as an underwriter

In addition to duties specified above, the Stock broker while acting as an Underwriter shall comply with following:

- (1) A Stock broker shall make all efforts to protect the interests of its clients.
- (2) A Stock broker shall ensure that it and its personnel will act in an ethical manner in all its dealings with a body corporate making an issue of securities (hereinafter referred to in the Schedule as “the issuer”).
- (3) A Stock broker shall not make any statement, either oral or written, which would misrepresent-
 - a) the services that the underwriter is capable of performing for its client, or has rendered to any other issuer company;
 - b) his underwriting commitment.
- (4) A Stock broker shall avoid conflict of interest and make adequate disclosure of its interest.
- (5) A Stock broker 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.

- (6) A Stock broker shall make appropriate disclosure to the client of its possible source or potential areas of conflict of duties and interest while acting as underwriter which would impair its ability to render fair, objective and unbiased services.
- (7) A Stock broker shall not divulge to other issuer, press or any party any confidential information about its issuer company, which has come to its knowledge and deal in securities of any issuer company without making disclosure to the Board and also to the Board of directors of the issuer company.
- (8) A Stock broker 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.
- (9) A Stock broker or any of its directors, partners or manager having the management of the whole or substantially the whole of affairs of the business, shall not either through its account or their respective accounts or through their associates or family members, relatives or friends indulge in any insider trading.
- (10) A Stock broker acting as an underwriter shall not indulge in any unfair competition, which is likely to be harmful to the interest of other entities acting as underwriters carrying on the business of underwriting or likely to place such other underwriters in a disadvantageous position in relation to the underwriter while competing for, or carrying out any assignment.
- (11) An underwriter shall not be party to or instrumental for-
 - a) creation of false market;
 - b) price rigging or manipulation; 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.

SCHEDULE III

Securities and Exchange Board of India (Stock brokers)

Regulations, 2025

[Regulation 11]

I. Fees to be paid by the Stock broker.

1. Every stock broker shall subject to paragraphs 2 and 3 of this Schedule pay registration fees in the manner set out below:

- (a) where the annual turnover does not exceed rupees one crore during any financial year, a sum of rupees five thousand for each financial year;
- (b) where the annual turnover of the stock broker exceeds rupees one crore during any financial year, a sum of rupees five thousand plus one hundredth of one per cent of the turnover in excess of rupees one crore for each financial year;
- (c) Notwithstanding anything contained in clause (b) it is clarified that the fee shall be recoverable as computed as under:
 - (i) in respect of jobbing transactions that is to say all transactions which are squared off during the same day which have not been undertaken by the broker on behalf of clients, the fees shall be computed at the rate of one two hundredth of one per cent in respect of the sale side of such transactions;
 - (ii) in respect of transactions in Government securities, the bonds issued by any Public Sector Undertaking and the units traded in a similar manner, the fee payable shall be computed at the rate of one thousandth of one per cent of the turnover;
 - (iii) in case of carry forward, renewal the fees shall be computed at the rate of one hundredth of one per cent of the turnover and the reverse off setting transactions shall not be counted as part of the turnover;
 - (iv) if brokers are carrying out transactions in securities without reporting them to the stock exchange, those transactions shall be taken into account for the purpose of turnover and the fees shall be computed at the rate of one hundredth of one per cent of the turnover;

(v) the trade put through on other stock exchanges shall be included in the turnover of that exchange if market for that security does not exist on the exchange of which he is a member and the fees shall be computed at the rate of one hundredth of one per cent of the turnover;

(vi) activity such as underwriting and collection of deposits shall not be taken into account for the purpose of calculating the turnover;

(d) after the expiry of five financial years from the date of initial registration as a stock broker, he shall pay a sum of rupees five thousand for every block of five financial years commencing from the sixth financial year after the date of grant of initial registration to keep his registration in force.

2. Fees referred to in clauses (a) and (b) of paragraph 1 above shall be paid on or before the first day of October of the financial year to which such payment relates, and such fees shall be computed with reference to the annual turnover relating to the preceding financial year.

3. Every remittance of fees referred to in clauses (a) and (b) of paragraph 1, shall be accompanied by a certificate as to the authenticity of turnover on the basis of which fees have been computed duly signed by the stock exchange of which the stock broker is a member or by a qualified auditor or as defined in section 226 of the Companies Act, 1956. Explanation.—For the purpose of paragraphs 1, 2 and 3, “annual turnover” means the aggregate of the sale and purchase prices of securities received and receivable by the stock broker on his own account as well as on account of his clients in respect of sale and purchase or dealing in securities during any financial year.

4. Where a corporate entity has been formed by converting the individual or partnership membership card of the exchange, such corporate entity shall be exempted from payment of fee for the period for which the erstwhile individual or partnership member, as the case may be, has already paid the fees subject to the condition that the erstwhile individual or partner shall be the whole-time director of the corporate member so converted and such director will continue to hold a minimum of 40 per cent shares of the paid-up equity capital of the corporate entity for a period of at least three years from the date of such conversion. Explanation : It is clarified that the conversion of individual or partnership membership card of the exchange into corporate entity shall be deemed to be

in continuation of the old entity and no fee shall be collected again from the converted corporate entity for the period for which the erstwhile entity has paid the fee as per the regulations.

5. If a stock broker fails to remit fees in accordance with Paragraphs 1 and 2, he shall be liable to pay interest at 15% per annum for each month of delay or part thereof :

Provided that the liability to pay interest as aforesaid may be in addition to any other action which the Board may take as deemed fit against the stock broker under the Act, or the Regulations:

Provided further that if the liability of the stock broker on account of payment of interest works out to be Rs. 100 or less the same may be waived off by the Board taking into consideration the administrative cost involved in recovering the said amount.

II. Manner of Fees to be paid.

The fees specified above shall be paid on or before the 1st day of October each year payable by way of direct credit into the bank account through NEFT/ RTGS/IMPS or online payment using the SEBI Payment Gateway or any other mode as may be specified by the Board from time to time.]

IV. Non-applicability to stock brokers governed by Schedule IV.

The provisions of this Schedule shall not apply to stock brokers to whom Schedule IV applies, from the time when it becomes so applicable.

SCHEDULE IV

PAYMENT OF FEES BY STOCK BROKERS/ CLEARING MEMBERS/ SELF-CLEARING MEMBERS

[Regulation 11(1)]

PART A APPLICABILITY

1. This Schedule shall apply to stock brokers in cash segment This Schedule shall apply to every stock broker who deals in cash segment and every clearing

member/ self-clearing member who clears and settles trades in cash segment, from the date of grant of registration.

2. This Schedule shall apply to every stock broker who deals in commodity derivatives and every clearing member/ self-clearing member who clears and settles trades in commodity derivatives, from the date of grant of registration:

Provided that for a person dealing in commodity derivatives as a commodity derivatives broker, clearing and settling trades as a commodity derivatives clearing member or self-clearing member, immediately before the transfer and vesting of rights and assets of the Forward Markets Commission with the Securities and Exchange Board of India, this Schedule shall apply, upon grant of registration by the Board, the computation of fee being with effect from the date of notification of transfer and vesting of rights and assets of the Forward Markets Commission with the Securities and Exchange Board of India.

3. This schedule shall apply to every stock broker who deals in electronic gold receipt segment and every clearing member / self-clearing member who clears and settles trades in electronic gold receipt segment, from the date of grant of registration.
4. Stock brokers falling under sub-clause (c) or (d) of clause 1 may opt to pay fees in accordance with this Schedule before completion of the relevant time periods mentioned in those sub-clauses, by exercising an option in writing to that effect and communicating it to the Board, in such manner and within such time as may be specified by the Board.

PART B

CHARGE OF FEES

5. (1) On and from the applicability of this Schedule, every stock broker/ clearing member/self-clearing member shall pay to the Board in accordance with Part C, a fee in respect of the securities transactions including off-market transactions undertaken by them, at the rates mentioned below:

Table

Segment	Rate / Amount (in Rs.)			Remarks
	Stock broker	Clearing member	Self-clearing member	
Cash	0.00010 per cent of his turnover (Rs. 10 per crore)	*	*	All sale and purchase transactions in securities other than debt securities.
Equity derivatives	0.00010 per cent of his turnover (Rs. 10 per crore)	50,000/-	50,000/-	Explanation.—(A) The expression ‘turnover’ shall include the value of the trades executed by the stock broker on the concerned segment of the recognized stock exchange and of the trades settled on the expiration of the contracts. (B) In case of options contracts, ‘turnover’ shall be computed on the basis of premium traded for the option contracts and in case where
Currency derivatives	0.00010 per cent of his turnover (Rs. 10 per crore)	50,000/-	50,000/-	
Interest rate derivatives	0.00005 per cent of his turnover (Rs. 5 per crore)	50,000/-	50,000/-	

				the option is exercised or assigned, it shall be additionally computed on the basis of notional value of option contracts exercised or assigned.
Commodity derivatives	0.00010 per cent of his turnover (Rs. 10 per crore)	50,000/-	50,000/-	Explanation. — (A) The expression ‘turnover’ shall include the value of the trades executed by the stock broker on the concerned recognized stock exchange and of the trades settled on the expiration of the contracts.
Agricultural commodity derivatives	0.00001 per cent of his turnover (Rs. 1 per crore)			(B) In case of options contracts, ‘turnover’ shall be computed on the basis of premium traded for the option contracts and in case where the option is exercised or assigned, it shall

				be additionally computed on the basis of notional value of option contracts exercised or assigned.
Debt	<p>0.00002 per cent of his turnover (Rs. 2 per crore)</p> <p>Explanation. —</p> <p>For the purpose of this clause, the expression 'turnover' shall include the aggregate value of the trades executed, including both sale and purchase transactions, by the stock broker including the proprietary trading member on the debts segment of the recognized stock exchange.</p>	50,000/-	50,000/-	The fee shall not be applicable for clearing member or self-clearing member in case the said clearing member or self-clearing member is already a clearing member or self-clearing member in any other segment and is paying fee, as specified in this Part, for such segment.
Electronic Gold Receipt Segment	0.00010 percent of turnover (Rs.10 per crore)	*	*	All sale and purchase transactions in Electronic Gold

				Receipt.
Execution Only Platforms	*	*	*	

*As may be specified by the Board from time to time

(2) A clearing member/ self-clearing member shall pay a fee of Rs.50,000 every year till his registration is in force, in the manner specified below:-

(a) for the first financial year along with the application for registration;

(b) for the subsequent financial years before 1st June of that financial year.

6. Nothing in clause 5 shall affect the liability of any stock broker to pay fees under Schedule III, which accrued before this Schedule became applicable to him and such fees shall be paid as per the relevant provisions of Schedule III as if they had not ceased to be applicable to him.

7. The non-refundable fee payable along with an application for registration under regulation 3 or regulation 12 shall be a sum of fifty thousand rupees:

8. The fee specified in clause 7 shall be payable by the applicant by way of direct credit in the bank account through online payment using SEBI payment gateway.

PART C

MANNER OF PAYMENT AND RECOVERY

9. (1) Every recognized stock exchange shall collect from every stock broker in cash segment, the fee payable under clause 3 in respect of—

(a) securities transactions entered into by him in that stock exchange; and

(b) off-market transactions entered into by him which are reported to that stock exchange, —

in accordance with the provisions of its bye-laws.

Explanation. —The Board may specify the manner in which fees shall be collected from stock brokers who report the same transactions to different stock exchanges in which they are members, under clause (b).

(2) Every recognized stock exchange shall collect from every stock broker in any segment other than cash segment, the fee payable under clause 3 in respect of turnover in the relevant segment of that stock exchange in accordance with the provisions of its bye-laws.

(3) Every commodity derivatives exchange shall collect from every stock broker/clearing member/self-clearing member, dealing/clearing and settling trades in commodity derivatives, the fee payable under sub-clause (1) of clause 5 in accordance with the provisions of its bye-laws.

(4) The fee collected by a recognized stock exchange under sub-clauses (1), (2) or (3) of this clause during a calendar month shall be paid by the stock exchange to the Board by the fifth working day of the following calendar month.

(5) All recognized stock exchanges shall maintain such registers and furnish such returns or information to the Board in respect of the fee collected under this Schedule, as may be specified by the Board.

(6) Without prejudice to sub-clause (4), a recognized stock exchange shall also be liable to furnish such information or explanations to the Board as may be required by it in respect of fee collected or liable to be collected under this Schedule.

10. A stock broker who also acts as a clearing member/ self-clearing member shall pay the annual fee separately, as applicable to each category as specified in clause 5, by way of direct credit in the bank account through online payment using SEBI payment gateway.

11. (1) Nothing contained in clause 9 shall affect the primary liability of a stock broker/ clearing member/ self-clearing member to pay the fees under clause 5 or shall preclude the Board from recovering any such fee remaining unpaid by any stock broker/ clearing member/ self-clearing member directly from him.

(2) Where due to the stock broker's/ clearing member's/ self-clearing member's default any fee which was liable to be paid on his behalf under clause 5 remains unpaid or is paid belatedly, he shall, without prejudice to any other action that may be taken under the Act, rules or regulations, pay an interest of 15 per cent per annum for every month of delay or part thereof to the Board.

(3) Every stock broker/ clearing member/ self-clearing member shall be liable to furnish such information or explanations to the Board as may be required by it in

respect of fee paid or payable under this Schedule.

12. The financial year shall mean the year commencing from 1st April and ending on 31st March of the following year.

13. For the purposes of this Part, the obligations cast on recognised stock exchanges and stock brokers shall, *mutatis mutandis*, apply to recognised clearing corporations and clearing members/self-clearing members also.

SCHEDULE V

NETWORTH AND DEPOSIT REQUIREMENTS FOR STOCK BROKERS/ CLEARING MEMBERS/ SELF- CLEARING MEMBERS

[Regulation 5(h), 10(h)]

APPLICABILITY, MANNER OF PAYMENT AND RECOVERY

1. The stock broker shall have such networth and shall deposit with the stock exchange such sum as may be specified by the Board/ stock exchange from time to time.
2. The clearing member/ self-clearing member shall have the minimum networth and shall deposit the minimum sum specified hereunder or a higher amount with the clearing corporation promoted by the respective stock exchange in the manner specified from time to time.
3. The quantum of networth and deposit to be maintained by the trading member/ self-clearing member/ clearing member/ professional clearing member, dealing/clearing and settling trades in securities, shall be as specified in Table 1 and Table 2 of this Schedule.
4. The quantum of deposit to be maintained by the stock broker/clearing member shall be separately calculated segment wise.
5. The quantum of networth to be maintained by the stock broker/clearing member, as specified in Table 1 of this Schedule, shall be reckoned for all segments/stock exchanges.
6. The trading member / Self Clearing member shall adhere to the variable net worth requirement, as prescribed by the Board or stock exchange from time to

time.

TABLE 1

NETWORTH FOR MEMBERS DEALING IN SECURITIES

Type of Member	Base Network (in Rs.)	Variable Network [#]
Trading Member	1 crore	As prescribed by the Board or stock exchange from time to time.
Self-Clearing Member	5 crore*	
Clearing Member	15 crore*	
Professional Clearing Member	50 crore	

* In Currency Derivative Segment, Self-Clearing Member and Clearing Member shall have minimum network of Rs. 5 crore and Rs. 10 crore, respectively.

Network requirement for members shall be Base Network or Variable Network, whichever is higher.

However, the requirement of Variable Network shall not be applicable for Execution Only Platforms segment.

TABLE 2

DEPOSIT FOR MEMBERS DEALING IN SECURITIES

Segment	Trading member (in Rs.)	Clearing member (in Rs.)	Self-clearing member (in Rs.)
Cash	*	*	*

Equity Derivatives		*	50 Lakh	50 Lakh
Currency Derivatives		*	50 Lakh	50 Lakh
Debt		*	*	*
Commodity Derivatives	NCDE	Nil	50 Lakh	50 Lakh
	RCDE	Nil	*	*
Electronic Receipts	Gold	*	1 crore	1 crore
Execution Platforms	Only	*	*	*

NCDE: National Commodity Derivatives Exchanges

RCDE: Regional Commodity Derivatives Exchanges

*As may be specified by the Board from time to time.

Explanation 1:

For the purposes of this Schedule, 'base networth' shall mean paid up capital, fully, compulsorily and mandatorily convertible debentures / bonds / warrants which are convertible within a period of 5 years from the date of issue, free reserves and other securities approved by the Board from time to time, but shall not include fixed assets, pledged securities, value of member's card, non-allowable securities (unlisted securities), bad deliveries, any debts and advances (except trade debtors of less than 3 months), prepaid expenses, losses, intangible assets and 30% value of marketable securities:

Provided that in case of securities pledged to clearing corporation, the post haircut value of shares owned by the Trading Member / Clearing Member, as may be specified by the Board from time to time, shall be considered for computation of the networth:

Provided further that the deposit requirement specified for the debt segment shall not be applicable when a clearing member clears and settles all the

trades only on gross basis for both securities and funds, without using settlement or trade guarantee fund:

Provided further that where the stock broker, clearing member or self-clearing member in the debt segment, is also regulated by a sectoral regulator other than the Board, the networth shall be computed in the manner as specified by such sectoral regulator or as specified by the Board, whichever is higher.

Explanation 2:

For the purposes of this Schedule, free reserves shall include Profit and Loss, General Reserve, Securities Premium, Preference Share Redemption Reserve and Capital Redemption Reserve, but shall not include reserves created by revaluation of assets.