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**SECURITIES AND EXCHANGE BOARD OF INDIA**

**NOTIFICATION**

**Mumbai, the 5<sup>th</sup> April, 2013**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**(STOCK BROKERS AND SUB-BROKERS) (AMENDMENT)  
REGULATIONS, 2013**

**No.** LAD-NRO/GN/2013-14/01/8129 - 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 to further amend the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992, namely :-

1. These Regulations may be called the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) (Amendment) Regulations, 2013.
2. They shall come into force on the date of their publication in the Official Gazette.
3. In the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992,—
  - (i) in regulation 2,-
    - a. in clause (ae), after the words “currency derivatives segment of an exchange” the words “or debt segment of a stock exchange” shall be inserted;
    - b. after clause (c), following clause shall be inserted; namely:-

“(ca) “proprietary trading member” means a member of debt segment of a stock exchange which trades only on its own account or as permitted by its sectoral regulator;”;

- c. in clause (fa), after the words “currency derivatives segment of a stock exchange” the words “or debt segment of a stock exchange” shall be inserted;
- d. in clause (gd), after the words “currency derivatives segment of a stock exchange” the words “or debt segment of a stock exchange” shall be inserted.

(ii) After Chapter III B, the following new Chapter shall be inserted, namely:-

### **"CHAPTER III C**

#### **REGISTRATION OF TRADING MEMBER OR PROPRIETARY TRADING MEMBER OR CLEARING MEMBER OR SELF CLEARING MEMBER OF DEBT SEGMENT**

##### **Application for registration of trading member or proprietary trading member or clearing member or self clearing member.**

**16S.** (1) An application for grant of certificate of registration by a trading member or proprietary trading member of debt segment of a stock exchange shall be made in Form AC of Schedule I, through the concerned debt segment of a stock exchange of which he is a member.

(2) An application for grant of certificate of registration by a clearing member or self-clearing member of the clearing corporation, shall be made in Form AC of Schedule I, through the concerned clearing corporation of which he is a member:

Provided that a proprietary trading member or a trading member who also seeks to act as a self-clearing member shall make separate applications for each activity in Form AC of Schedule I.

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

##### **Furnishing of information, clarification, etc.**

**16T.** (1) The Board may require the applicant under this Chapter or the concerned stock exchange or segment or clearing corporation, as the case may be, to furnish such other information or clarifications, regarding the trading and settlement in debt segment and matters connected thereto as may be necessary, to consider the application for grant of a certificate.

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

**Consideration of application.**

**16U.** (1) The Board shall take into account the following conditions for the grant of certificate of registration, namely, whether an applicant under this Chapter—

- (a) is eligible to be admitted as a trading member or proprietary trading member of debt segment of a stock exchange;
- (b) is eligible to be admitted as a clearing member or self-clearing member of a clearing corporation;
- (c) has the necessary infrastructure like adequate office place, equipment and manpower to effectively undertake his activities;
- (d) is subjected to disciplinary proceedings under the rules, regulations and bye-laws of any stock exchange with respect to his business as a member of any segment of the stock exchange or a member of the clearing corporation involving either himself or any of his partners, directors or employees;
- (e) has any financial liability which is due and payable to the Board under these regulations.

(2) An applicant under this Chapter who desires to act as a trading member or proprietary trading member, in addition to complying with the requirements of sub-regulation (1), shall have a net worth of fifty lakh rupees and shall deposit a sum with the stock exchange as specified by the Board from time to time.

(3) An applicant under this Chapter who desires to act as a clearing member in addition to complying with the requirements of sub-regulation (1), shall have a minimum net worth of three crore rupees and shall deposit a sum as specified by the Board with the clearing corporation.

(4) An applicant under this Chapter who desires to act as a self-clearing member, in the debt segment of a stock exchange, in addition to complying with the requirements of sub-regulation (1), shall have a minimum net worth of one crore rupees and shall deposit a sum as specified by the Board with the clearing corporation:

Provided that the deposit requirement specified in sub-regulation (3) or (4) shall not be applicable when a member clears and settles all the trades only on gross basis for both securities and funds, without using settlement or trade guarantee fund.

Explanation.- For the purpose of sub-regulations (2), (3) and (4), the expression 'net worth' shall mean the networth as specified under Chapter III B.

**Procedure for registration.**

**16V.** The Board on being satisfied that the applicant under this Chapter is eligible, shall grant a certificate in Form DC of Schedule I, to such applicant and send intimation to that effect to the debt segment of the stock exchange or clearing corporation, as the case may be.

**Conditions of registration.**

**16W.** The provisions of regulation 6A shall be applicable mutatis mutandis to any registration granted by the Board under regulation 16V.

**Procedure where registration is not granted.**

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

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

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

(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 debt segment of the stock exchange or clearing corporation, as the case may be.

**Effect of refusal of certificate of registration.**

**16Y.** An applicant, whose application for the grant of a certificate of registration has been rejected by the Board, shall not, on and from the date of receipt of the communication under sub-regulation (2) or sub-regulation (4) of regulation 16X, deal in or settle the debt contracts as a member of the debt segment of a stock exchange or a clearing corporation, as the case may be.

**Payment of fees and consequences of failure to pay fees.**

**16Z.** (1) Every applicant eligible for grant of a certificate as a trading member or proprietary trading member or clearing member or self-clearing member under this Chapter shall pay such fee and in such manner as specified in Schedule IVB.

(2) Where such trading member or proprietary trading member or clearing member or self-clearing member fails to pay the fees as provided in sub-regulation (1), the Board may suspend or cancel the certificate of registration after giving an opportunity of being heard, whereupon the trading member or proprietary trading member or clearing member or self-clearing member shall cease to deal in or settle the debt contracts as a member of debt segment of stock exchange or clearing corporation, as the case may be.

(3) A trading member or proprietary trading member or clearing member or self-clearing member of any other segment, who has been allowed to trade or clear in the debt segment, shall pay fees as specified in Schedule IVB.

**Trading member or proprietary trading member or clearing member or self-clearing member to abide by the code of conduct, etc.**

**16ZA.** (1) The code of conduct for the stock brokers specified in Schedule II, shall *mutatis mutandis* apply to the trading member or proprietary trading member or clearing member or self-clearing member under this Chapter and such members shall at all times abide by that code of conduct.

(2) The trading member or proprietary trading member or clearing member or self-clearing member specified in Chapter III C shall abide by the code of conduct as specified in the rules and bye-laws of debt segment of the stock exchange.

(3) The trading member under this Chapter shall obtain details of the prospective clients in 'know your client' format as specified by the Board before executing an order on behalf of such client.

(4) The trading member under this Chapter shall furnish 'risk disclosure document' disclosing the risk inherent in trading in debt instruments to the prospective clients in the form specified by debt segment of the stock exchange.

(5) The trading member or proprietary trading member or clearing member or self-clearing member under this Chapter shall deposit margin or any other deposit and shall maintain position or exposure limit as specified by the Board or the concerned stock exchange for debt segment or clearing corporation from time to time.

Explanation.- For the purposes of this regulation, the term "debts instruments" shall mean and include debt securities and any other such instrument specified by the Board.

**Applicability of Chapters IV, V and VI.**

**16ZB.** (1) The provisions of Chapters IV, V and VI shall *mutatis mutandis* apply to trading member or proprietary trading member or clearing member or self-clearing member under this Chapter and such members shall abide by the provisions of the said Chapters.

(2) In the Chapters referred to in sub-regulation (1), the words 'stock broker' shall refer to trading member or proprietary trading member or clearing member or self-clearing member under this Chapter and the words 'stock exchange' shall refer to debt segment of a stock exchange or clearing corporation, as the case may be.

(3) The Board may issue such directions under section 11B of the Act and Securities Contracts (Regulation) Act to the trading member or proprietary trading member or clearing member or self-clearing member under this Chapter as may be deemed appropriate and such member shall abide by such directions.

(4) In case of violation of any regulation, the trading member or proprietary trading member or clearing member or self-clearing member specified in Chapter III C shall be liable to penalty as specified in Chapter VI."

(iii) In Schedule I, –

(a) after Form AB, the following Form shall be inserted, namely:-

**“FORM AC**

Securities and Exchange Board of India (Stock Brokers and Sub-brokers)  
Regulations, 1992  
[Regulation 16S]

**Application form for registration as a trading member or proprietary trading member or clearing member and/or self-clearing member of debt segment of a stock exchange with the Securities and Exchange Board of India**

1. Name of the debt segment of a stock exchange/clearing corporation of which the applicant is the member and the tenure of membership.
2. Name of the member with Code No.
3. Whether the applicant is to act as a trading member or proprietary trading member or clearing member and/or self-clearing member.
4. If the applicant is to act as a trading member or proprietary trading member, the applicant is required to furnish the name and details of the clearing member or self-clearing member through whom he intends to clear and settle his trade.
5. Address of the member.
6. Trade name of member.
7. Net worth of the applicant along with necessary documents in support thereof.
8. Whether the application is accompanied by a requisite fee as per Schedule IVB of the Regulations as applicable to the applicant.
9. Copy of certificate of registration in case the applicant is already registered as a member of the stock exchange or clearing corporation under these Regulations.
10. In case the applicant is not already registered as a member of the stock exchange or clearing corporation under these Regulations, following additional information shall be provided:
  - i. Form of organisation: sole proprietorship/partnership/corporate body/ financial institution/any other(names of proprietor/ partners/directors).
  - ii. Copy of the memorandum and articles of association or the partnership deed as the case may be.
  - iii. Educational qualifications of proprietor/partners/directors, etc.
  - iv. Date of admission to membership to debt segment of a stock exchange/clearing corporation.
  - v. Details in case the applicant or its director or partner is convicted of any economic offence any time.
  - vi. Details in case the applicant or its director or partner is declared insolvent/bankrupt or declared defaulter by any exchange or clearing corporation.

- vii. Details in case the applicant or its director or partner is subjected to any proceedings or penalty by the Board under the SEBI Act or any of the regulations framed under the SEBI Act at any time.
- viii. Fax, telex, email and phone number(s).

11. 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

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*Recommendation of the debt segment of a stock exchange, clearing corporation*

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

Signature

Name

Designation"

(b) after Form DB, the following Form shall be inserted, namely:-

**"FORM DC**

Securities and Exchange Board of India (Stock Brokers and Sub-brokers)  
Regulations, 1992  
[Regulation 16V]

**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..... a member of the.....debt segment/ clearing corporation as trading member / proprietary trading member / clearing member / self-clearing member for dealing in debt segment/clearing and settlement of trades in debt segment and for carrying on such other activities as are permitted by segment(s) of a stock exchange/clearing corporation subject to the conditions prescribed 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."

(iv) After Schedule IVA, the following new Schedule shall be inserted, namely:-

*"SCHEDULE IVB*  
[Regulation 16Z(1)]

**FEES TO BE PAID BY THE TRADING MEMBER OR PROPRIETARY TRADING MEMBER OR CLEARING MEMBER OR SELF-CLEARING MEMBER OF DEBT SEGMENT/CLEARING CORPORATION**

1. A clearing member or self clearing member shall every financial year pay a fee of rupees fifty thousand till his registration is in force, in the manner specified below:—
  - (a) for the first financial year along with the application for registration;
  - (b) for the subsequent financial years before 1st June of that financial year.
2. Every trading member or proprietary trading member shall pay to the Board every financial year, a fee in respect of the transactions undertaken by him on the debt segment of a recognised stock exchange, at the rate of 0.00001 per cent. of his turnover (Rs.1 per crore).

Explanation.—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 trading member or proprietary trading member on the debt segment of the recognised stock exchange.

3. (1) Every recognised stock exchange shall collect from every trading member or proprietary trading member the fee payable under clause 2 in respect of his turnover in the debt segment of the stock exchange in accordance with the provisions of its bye-laws. Every clearing corporation shall collect from every clearing member and self-clearing member a fee payable under clause 1 in accordance with the provisions of its bye-laws.  
(2) The fee collected by a recognised stock exchange and/or clearing corporation under sub-clause (1) during a calendar month shall be paid by the stock exchange or clearing corporation to the Board by the fifth working day of the following calendar month.



- (3) All recognised stock exchanges and/or clearing corporation 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.
- (4) Without prejudice to sub-clause (3), a recognised 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.
4. A trading member or proprietary trading member who also acts as a self clearing member shall pay the annual fee separately, as applicable to each category as specified in clauses 1 and 2 above.
5. (1) Nothing contained in clause 3 shall affect the primary liability of a trading member or proprietary trading member to pay the fees under clause 2 or shall preclude the Board from recovering any such fee remaining unpaid by any trading member directly from him.
- (2) Where due to default of the trading member or proprietary trading member any fee which was liable to be paid on his behalf under clause 3 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 trading member or proprietary trading 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.
6. The financial year shall mean the year commencing from 1<sup>st</sup> April and ending on 31<sup>st</sup> March of the following year."

**U.K. SINHA**  
**CHAIRMAN**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**

**Footnote:**

1. Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992, the Principal Regulations, was published in the Gazette of India on October 23, 1992 vide S.O. No. 780 (E).

2. The Principal Regulations were subsequently amended on:

(a) November 28, 1995 by the SEBI (Payment of Fees) (Amendment) Regulations, 1995 vide S.O. No. 939 (E).

(b) January 5, 1998 by SEBI (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 1998 vide S.O. No. 13 (E).

- (c) January 21, 1998 by SEBI (Stock Brokers and Sub-Brokers) (Second Amendment) Regulations, 1998 vide S.O. No. 75 (E).
- (d) December 16, 1998 by SEBI (Stock Brokers and Sub-Brokers) (Third Amendment) Regulations, 1998 vide S.O. No. 1078 (E).
- (e) July 6, 1999 by SEBI (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 1999 vide S.O. No. 541 (E).
- (f) March 14, 2000 by SEBI (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2000 vide S.O. No. 234 (E).
- (g) March 28, 2000 by SEBI (Appeal to Securities Appellate Tribunal) (Amendment) Regulations, 2000 vide S.O. No. 278 (E).
- (h) August 30, 2000 by SEBI (Stock Brokers and Sub-Brokers) (Second Amendment) Regulations, 2000 vide S.O. No. 787 (E).
- (i) May 29, 2001 by SEBI (Investment Advice by Intermediaries) (Amendment) Regulations, 2001 vide S.O. No. 476(E).
- (j) November 15, 2001 by SEBI (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2001 vide S.O. No. 1128 (E).
- (k) February 20, 2002 by SEBI (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2002 vide S.O. No. 220 (E).
- (l) September 27, 2002 by SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 vide S.O. No. 1045 (E).
- (m) September 23, 2003 by the SEBI (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2003 vide S.O. No. 1095 (E).
- (n) November 20, 2003 by the SEBI (Stock Brokers and Sub-Brokers) (Second Amendment) Regulations, 2003 vide F. No. SEBI /LAD /20795 /2003.
- (o) March 10, 2004 by the Securities and Exchange Board of India (Criteria for Fit and Proper Person) Regulations, 2004 vide S.O. No. 398(E).
- (p) August 1, 2006 by the SEBI (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2006 vide S.O. No. 1235 (E).
- (q) September 7, 2006 by the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Second Amendment) Regulations, 2006 vide S.O. No. 1447 (E).
- (r) September 25, 2006 by the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Third Amendment) Regulations, 2006 vide S.O. No. 1600(E).
- (s) May 26, 2008 by the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 vide Notification No. LAD-NRO/GN/2008/11/126538.
- (t) August 11, 2008 by the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2008 vide Notification No. LADNRO/GN/2008/20/134766.
- (u) June 29, 2009 by the Securities and Exchange Board of India (Payment of Fees) (Amendment) Regulations, 2009 vide Notification No. LADNRO/ GN/2009-10/11/167759.
- (v) November 19, 2009 by the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2009 vide Notification No. LADNRO/GN/2009-10/21/183853.

(w) April 13, 2010 by the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2010 vide Notification No. LADNRO/GN/2010-11/06/1097.

(x) April 6, 2011 by the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2011 vide Notification No. F. No. LAD – NRO/ GN/ 2011 – 12/01/11486.

(y) April 19, 2011 by the Securities and Exchange Board of India (Change in Conditions of Registration of Certain Intermediaries) (Amendment) Regulations, 2011 vide Notification No. LAD/NRO/GN/2011-12/03/12650.

(z) August 17, 2011 by the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) (Second Amendment) Regulations, 2011 vide Notification No. LAD-NRO/GN/2011-12/19/26273

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