

**Deputy General Manager
Market Intermediaries Regulation
& Supervision Department-(DR-1)**

MIRSD-DR 1/MK/Cir- 15/111600/07
December 20 , 2007

To
The Executive Director/Managing Director
All Stock Exchanges

Dear Sir / Madam,

Subject: Change in affiliation of Sub-brokers

Regulation 11(2) of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 stipulates that: **“No fresh certificate needs to be obtained under sub-regulation (1) where a sub-broker merely changes his affiliation from one stock broker to another stock broker, being a member of the same stock exchange.”**

Though no fresh certificate needs to be obtained for change in affiliation, such a change may require approval from the Board.

This circular intends to clarify the procedure to be adopted in case of change in affiliation by the sub-broker. The procedure to be followed and the documents to be submitted for seeking approval for change in affiliation by the sub-brokers is specified in the table given below:

| S.No | Scenarios (A) | Remarks (B) | Procedure and Documents to be submitted by the applicant. (C) |
|------|---|--|---|
| (i) | A sub-broker intends to discontinue business with one broker and start business with another broker by changing affiliation. | <ul style="list-style-type: none"> The sub-broker shall submit the application for change in affiliation to the exchange through the broker with whom affiliation is being sought and exchange shall forward the application to SEBI along-with its recommendation. | <p>- Procedure:</p> <p>(a) Application for change in affiliation to be submitted to the exchange through the broker with whom affiliation is being sought.</p> |

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| (ii) | A broker merges / amalgamates with another broker or is acquired by another broker. | <ul style="list-style-type: none"> • The sub-broker affiliated to merging / amalgamating / acquired broker entities may either choose to surrender registration or affiliate with the incoming entity or any other broker. • The broker must ensure that all the sub-brokers affiliated to it submit the application for change in affiliation or surrender within a period of 15 days. • The application for surrender of certificate of registration of sub-broker shall be submitted to the exchange through the existing broker whereas the application for change in affiliation of sub-broker shall be submitted to the exchange through the broker with whom affiliation is being sought. The exchange shall forward the application for surrender / change in affiliation to SEBI for approval. | <p><u>Procedure Continued:</u></p> <p>(b) The exchange shall ensure and confirm that there is no complaint(s) / action(s) is /are pending against the sub-broker seeking change in affiliation and the sub-broker has no outstanding fee against it.</p> <p>(c) The Exchange shall forward the application complete in all respects to SEBI along with its recommendation.</p> <p>(d) SEBI shall take the change in affiliation on record and effect the changes on the sub-broker certificate.</p> <p>(e) The modified certificate shall be dispatched to the exchange to be handed over to the broker / sub-broker.</p> |

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| (iii) | A broker applies for surrender. | <ul style="list-style-type: none"> • Sub-brokers affiliated to a broker who has applied for surrender of registration may apply for change in affiliation to another broker or apply for surrender. • The broker must ensure that all the sub-brokers affiliated to it submit the application for change in affiliation or surrender at the time broker applies for surrender. The application must be submitted through the exchange. • The application for surrender of certificate of registration of sub-broker shall be submitted to the exchange through the existing broker whereas the application for change in affiliation of sub-broker shall be submitted to the exchange through broker with whom affiliation is being sought. Exchange shall forward the application for surrender / change in affiliation to SEBI for approval | <p><u>Procedure Continued:</u></p> <p>(e) The sub-broker seeking change in affiliation shall be eligible to do business with the old broker till the application is granted approval by SEBI. Thereafter, on grant of approval by SEBI the exchange shall ensure that affiliation of the sub-broker is changed to new broker with immediate effect.</p> <p>- <u>Documents to be submitted :</u></p> <p>(a) Exchange recommendation and recommendation by the broker with whom affiliation is being sought.</p> <p>(b) Certificate of registration in original for recording change in affiliation. In case of lost /misplaced certificate, an affidavit (on stamp paper of appropriate value) indemnifying SEBI from possible harm</p> |

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| (iv) | <p>A broker undergoes change in control or change in status and constitution / sale / transfer / transmission</p> | <ul style="list-style-type: none"> • Sub-brokers affiliated to a broker who has undergone change in control/change in status or constitution / transfer/ sale/ transmission , may apply for change in affiliation to another broker or apply for surrender • The broker undergoing change must ensure that all the sub-brokers affiliated to it submit the sub-brokers' application for change in affiliation or surrender after the issuance of prior approval to the broker and before the registration of the incoming broking entity. The application must be submitted through the exchange. • In case the broker expires, the sub-brokers may change their affiliation within a period of six months from the date on which the broker ceases to exist or the registration will be deemed cancelled. • The application for surrender of certificate of registration of sub-broker(s) shall be submitted to the exchange | <p>caused by loss of certificate and a copy of FIR/ police complaint lodged by the sub-broker is required to be furnished.</p> <p><u>Documents continued</u></p> <p>(c) Letter from the sub-broker seeking change in affiliation addressed to SEBI.</p> <p>(d) No Objection Certificate (NOC) from the existing affiliated broker with whom the sub-broker wishes to discontinue business.</p> <p>(e) Certified true copy of the agreement between the broker and the sub-broker.</p> |

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| | | <p>through the existing broker whereas the application for change in affiliation of sub-broker shall be submitted to the exchange through the broker with whom affiliation is being sought. The exchange shall forward the application for surrender / change in affiliation to SEBI for approval</p> | |
| (v) | <p>SEBI takes punitive action against the broker like cancellation / debarred from securities market or the broker is declared a defaulter or expelled from exchange.</p> | <ul style="list-style-type: none"> • Sub-brokers affiliated to a broker against whom punitive action has been taken, may apply for change in affiliation to another broker or apply for surrender. The sub-brokers must apply for change in affiliation or surrender through the exchange within a period of one (1) month from the date of the SEBI order. • The application for surrender of certificate of registration of sub-broker(s) shall be submitted to the exchange through the existing broker whereas the application for change in affiliation of sub-broker shall be submitted to the exchange through the | |

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| | | broker with whom affiliation is being sought. The exchange shall forward the application for surrender / change in affiliation to SEBI for approval | |
| (vi) | The broker or the sub-broker terminates the agreement. | <ul style="list-style-type: none"> • In case the broker or the sub-broker terminates the agreement, the sub-broker may apply for change in affiliation or surrender registration. • In case the sub-broker intends change in affiliation and broker does not issue NOC, the sub-broker may apply for change in affiliation after completion of one month from the date of termination of agreement with the proof of request to the broker for NOC. • In case the sub-broker terminates the agreement, the sub-broker shall submit an application to the exchange for surrender of certificate of registration as sub-broker and enclose proof of service of notice for termination of agreement with the broker. • In case the sub-broker is | |

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| | | not traceable or does not either apply for change in affiliation or surrender after termination of agreement by the broker, the broker may submit an application for surrender of registration along with proof of service of notice to the sub-broker after a period of one month from the date of termination of agreement. | |
| (vii) | Broker undergoes a change in name. | <ul style="list-style-type: none"> • The sub-brokers may only submit certificate of registration in original for the change in affiliating broker's name to be recorded on certificate. | |

The exchange shall provide to SEBI only its recommendation and the certificate of the sub-broker seeking change in affiliation / copy of police complaint or FIR as attachments if the certificate is misplaced or lost along with an affidavit (on stamp paper of appropriate value) indemnifying SEBI from any possible harm due to loss of certificate. The other documents mentioned above may be retained by exchange at its end. The exchange shall provide these documents to SEBI as and when required.

Yours faithfully,

(Manoj Kumar)