# SECURITIES AND EXCHANGE BOARD OF INDIA (MERCHANT BANKERS)REGULATIONS, 1992

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**THE GAZETTE OF INDIA EXTRAORDINARY**

**PART III - SECTION 4**

**PUBLISHED BY AUTHORITY**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**NOTIFICATION**

**THE TWENTY SECOND DAY OF DECEMBER, 1992**

**BOMBAY**

# SECURITIES AND EXCHANGE BOARD OF INDIA

# (MERCHANT BANKERS) REGULATIONS, 1992

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No.LE/11112/92. In exercise of the powers conferred by Section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board with the previous approval of the Central Government 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 (Merchant Bankers) Regulations, 1992.

(2) They shall come into force on the date of their publication in the Official Gazette.

### Definitions

**2.** In these regulations, unless the context otherwise requires,—

[1][***]

1. Omitted by the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 w.e.f., 27.09.2002. Prior to omission the clause read as under :
(a) "enquiry officer" means any Officer of the Board, or any other person, having experience in dealing with the problems relating to the securities market, who is authorised by the Board under Chapter V;

[2][(a) "Act" means the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(aa) "body corporate" shall have the meaning assigned to it in or under clause (7) of section 2 of the Companies Act, 1956 (1 of 1956);

(ab) "certificate" means a certificate of [3][***]registration issued by the Board;

(ac) [4][***]

(ad) "change in control", in relation to a merchant banker being a body corporate, means:—

(i) if its shares are listed on any recognised stock exchange, change in control within the meaning of regulation 12 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;

(ii) in any other case, change in the controlling interest in the body corporate.

Explanation: For the purpose of sub-clause (ii), the expression "controlling interest" means an interest, whether direct or indirect, to the extent of at least fifty one per cent of voting rights in the body corporate;]

(*b*) "form" means a form specified in *Schedule I;*

(c) "inspecting authority" means one or more persons appointed by the Board to exercise powers conferred under Chapter IV;

[5][(ca) "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;

(cb) "merchant banker" means any person who is engaged in the business of issue management either by making arrangements regarding selling, buying or subscribing to securities or acting as manager, consultant, adviser or rendering corporate advisory service in relation to such issue management;]

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[2] Inserted by the Securities and Exchange Board of India (Merchant Bankers) (Third Amendment) Regulation, 2006, w.e.f., 7-9-2006.

[3] The words "initial or permanent" were omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to omission the words "initial or permanent" were inserted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011.

[4] Omitted by the (Change in conditions of Registration of Certain Intermediaries) (Amendment) Regulations, 2011. w.e.f. 19-04-2011. Prior to the omission the clause read as under:

"Change of status or constitution" in relation to a merchant banker—

(i) means any change in its status or constitution of whatsoever nature; and

(ii) without prejudice to generality or sub-clause (i), includes—

(A) amalgamation, demerger, consolidation or any other kind of corporate restructuring falling within the scope of section 391 of the Companies Act, 1956 (1 of 1956) or the corresponding provision of any other law for the time being in force;

(B)change in its managing director or whole-time director; and

(C)any change in control over the body corporate."

[5] Inserted by the Securities and Exchange Board of India (Merchant Bankers) (Third Amendment) Regulations, 2006., w.e.f., 7-9-2006.

(d) "principal officer" means—

(*i*) proprietor, in the case of a proprietary concern,

(*ii*) partner, in the case of a partnership firm,

(*iii*) director, in the case of a body corporate who is responsible for the activities of the merchant banker.

(e) [6][***]

(f) Words and expressions used and not defined in these regulations but defined in the Act [7][***] shall have the meaning respectively assigned to them in the Act [8][***].

## CHAPTER II

## REGISTRATION OF MERCHANT BANKERS

**Application for grant of certificate[9][of [10][***] registration].**

**3.** (1) An application by a person for grant of a certificate [11][of [12][***] registration]shall be made to the Board in *Form A.*

[13][(1A) An application for registration made under sub-regulation (1) shall be accompanied by a non-refundable application fee as specified in Schedule II.]

(2) The application under sub-regulation (1) shall be made for any one of the following categories of the merchant banker namely:—

(*a*) Category I, that is—

(i) to carry on any activity of the issue management, which will, *inter alia,* consist of preparation of prospectus and other information relating to the issue, determining financial structure, tie up of financiers and final allotment and refund of the subscriptions; and

(ii) to act as adviser, consultant, manager, underwriter, portfolio manager;

(*b*) Category II, that is to act as adviser, consultant, co-manager, underwriter, portfolio manager;

(*c*) Category III, that is to act as underwriter, adviser, consultant to an issue;

(d) Category IV, that is to act only as adviser or consultant to an issue.

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[6] Omitted by the Securities and Exchange Board of India (Merchant Bankers) (Third Amendment) Regulations, 2006., w.e.f., 7-9-2006.

[7]The words [and the rules] omitted by the Securities and Exchange Board of India (Merchant Bankers) (Third Amendment) Regulation, 2006, w.e.f., 7-9-2006.

[8] The words [or the rules as the case may be] omitted by the Securities and Exchange Board of India (Merchant Bankers) (Third Amendment) Regulation, 2006, w.e.f., 7-9-2006.

[9] Inserted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011.

[10] The word "initial" was omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.

[11] Inserted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011.

[12] The word "initial" was omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.

13 Inserted by Securities and Exchange Board of India (Merchant Bankers) (Third Amendment) Regulations, 2006 w.e.f. 7-9-2006

[14][(2A) Notwithstanding anything contained in this regulation, with effect from 9th December, 1997:

(i) an application under sub-regulation (2) can be made only for carrying on the activities mentioned in clause (*a*) therein, and

(ii) [15][***]

(iii) an applicant can carry on the activity as portfolio manager only if he obtains separate certificate of registration under the provisions of the Securities and Exchange Board of India (Portfolio Manager) Regulations, 1993.]

(3) Notwithstanding anything contained in sub-regulation (1) any application made by a merchant banker prior to coming into force of these regulations containing such particulars or as near thereto as mentioned in Form A shall be treated as an application made in pursuance of sub-regulation (1) and dealt with accordingly.

**Application to conform to the requirements.**

**4.** Subject to the provisions of sub-regulation (3) of regulation 3, any application, which is not complete in all respects and does not conform to the instructions specified in the form shall be rejected :

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

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**Furnishing of information, clarification and personal representation.**

**5.** (1) The Board may require the applicant to furnish further information or clarification regarding matters relevant to the activity of a merchant banker for the purpose of disposal of the application.

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

**Consideration of application.**

**6.** The Board shall take into account for considering the grant of a certificate, all matters which are relevant to the activities relating to merchant banker and in particular the applicant complies with the following requirements, namely :—

[16][(*a*) the applicant shall be a body corporate other than a non-banking financial company as defined under clause (f) of section 45-I of the Reserve Bank of India Act, 1934 (2 of 1934), as amended from time to time :

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[14] Sub-regulation 2A to regulation 3 was inserted by SEBI (Merchant Bankers) (Amendment) Regulations, 1997 w.e.f, 09.12.1997.

15 Omitted by the Securities and Exchange Board of India (Merchant Bankers) (Third Amendment) Regulations, 2006 w.e.f. 7-9-2006

[16.] Clause (a) to regulation 6 was inserted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 1997 w.e.f., 09.12.1997.

[17][Provided that the merchant banker who has been granted registration by the Reserve Bank of India to act as a primary or satellite dealer may carry on such activity subject to the condition that it shall not accept or hold public deposit;]

[18][(aa)] the applicant has the necessary infrastructure like adequate office space, equipments, and manpower to effectively discharge his activities;

(b) the applicant has in his employment minimum of two persons who have the experience to conduct the business of merchant banker;

(c) a person directly or indirectly connected with the applicant has not been granted registration by the Board.

Explanation : For the purposes of this clause the expression "directly or indirectly connected" means any person being an associate, subsidiary or inter-connected or group company of the applicant in case of the applicant being a body corporate;

(d) The applicant fulfils the capital adequacy requirement specified in regulation 7;

(e) The applicant, his partner, director or principal officer is not involved in any litigation connected with the securities market which has an adverse bearing on the business of the applicant;

(f) The applicant, his director, partner or principal officer has not at any time been convicted for any offence involving moral turpitude or has been found guilty of any economic offence;

(g) The applicant has the professional qualification from an institution recognised by the Government in finance, law or business management;

[19][(gg) the applicant is a fit and proper person;]

(h) grant of certificate to the applicant is in the interest of investors.

**[20][Criteria for fit and proper person.**

**6A.** For the purpose of determining whether an applicant or the merchant banker is a fit and proper person the Board may take into account the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.]

**[21][Capital adequacy requirement.**

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17. Proviso to clause (a) to regulation 6 was inserted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 1999 w.e.f., 17.11.1999.

18. Clause (a) to regulation 6 was renumbered as (aa) by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 1997 w.e.f., 09.12.1997.

19 Clause (gg) to regulation 6 was inserted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 1997 w.e.f., 09.12.1997

20 Inserted by the Securities and Exchange Board of India (Criteria for fit and Proper Person Regulations, 2004) w.e.f. 10-3-2004.

21 Substituted by the Securities and Exchange Board of India (Merchant Bankers) (Third Amendment) Regulations, 2006. w.e.f. 7-9-2006. Prior to the substitution the regulation (7) read as

"Capital Adequacy Requirement

7. (1) The capital adequacy requirement referred to in sub- regulation (d) of regulation 6 shall not be less than the net worth of the person making the application for grant of registration.

(2) For the purposes of sub- regulation (1), the networth shall be as follows, namely: -

**7.**The capital adequacy requirement referred to in clause (d) of regulation 6 shall be a net worth of not less than five crore rupees.

Explanation: For the purposes of this regulation, "net worth" means the sum of paid-up capital and free reserves of the applicant at the time of making application under sub-regulation (1) of regulation 3.]

## [22][Grant of certificate of [23][***]registration.

**8.**(1) The Board, on being satisfied that the applicant is eligible, shall grant a certificate of [24][***] registration in Form B and shall send an intimation to the applicant.

(2) [25][ The certificate of registration granted under sub-regulation (1) shall be valid unless it is suspended or cancelled by the Board.]

(3) [26][The merchant banker who has already been granted certificate of registration by the Board, prior to the commencement of the Securities and Exchange Board of

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Category Minimum Amount
Category I *[Rs. 5, 00, 00, 000]
Category II Rs. 50, 00, 000
Category III Rs. 20, 00, 000
Category IV Nil
Explanation: For the purposes of this regulation "networth" means in the case of an applicant which is a partnership firm or a body corporate, the value of the capital contributed to the business of such firm or the paid up capital of such body corporate plus free reserves as the case may be at the time of making application under sub-regulation (1) of regulation 3." *The figure "1, 00, 00, 000" in sub-regulation (2) of regulation 7 was Substituted by SEBI (Merchant Bankers) (Amendment) Regulations, 1995 w.e.f, 7.09.1995

[22] Substituted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011. Prior to the substitution the regulation 8 as amended by the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1997 w.e.f. 09-12-1997, read as under:
"8. Procedure for registration.
(1) The Board, on being satisfied that the applicant is eligible, shall grant a certificate in Form B.
(2) and (3) ***Omitted.
(4) On the grant of a certificate the applicant shall be liable to pay the fees in accordance with Schedule II"

[23] The word "initial" was omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.

[24] The word "initial" was omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.

[25] Substituted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to substitution, sub-regulation (2) read as under:
"(2) The certificate of initial registration granted under sub-regulation (1) shall be valid for a period of five years from the date of its issue to the applicant."

[26] Substituted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to substitution, sub-regulation (3) read as under:
"The merchant banker who has already been granted certificate of registration by the Board, prior to the commencement of the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011, and has not completed a period of three years, shall be deemed to have been granted a certificate of initial registration for a period of five years from the date of its certificate of registration, subject to payment of fee for the remaining period of two years, as prescribed in Schedule II of these regulations."
"The certificate of initial registration granted under sub-regulation (1) shall be valid for a period of five years from the date of its issue to the applicant."

India (Change in Conditions of Registration of Certain Intermediaries) (Amendment) Regulations, 2016 shall be deemed to have been granted a certificate of registration, in terms of sub-regulation (1).]

(4) On the grant of a certificate of [27][***] registration the merchant banker shall be liable to pay the fee in accordance with Schedule II of these regulations.]

**8A [28][***]**

**9 [29][***]**

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[27] The word "initial" was omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.

[28] Omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to omission regulation 8A which was inserted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011, read as under:

"**8A. Grant of certificate of permanent registration.**

(1) The merchant banker who has been granted or deemed to have been granted a certificate of initial registration under regulation 8, may, three months before the expiry of the period of certificate of initial registration, make an application for grant of a certificate of permanent registration in Form A**.**

(2) Themerchant banker who has already been granted a certificate of registration by the Board and has completed a period of five years**,** on the date of commencement of the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011, may, three months before the expiry of validity of certificate of registration or before, make an application for grant of a certificate of permanent registration in Form A.

(3) An application under sub-regulation (1) or sub-regulation (2) shall be accompanied by a non-refundable application fee as specified in Schedule II of these regulations.

(4) The application for grant of a certificate of permanent registration shall be accompanied by details of the changes that have taken place in the information that was submitted to the Board while seeking initial registration or renewal, as the case may be, and a declaration stating that no changes other than those as mentioned in such details have taken place.

(5) The application for permanent registration made under sub-regulation (1) or (2) shall be dealt with in the same manner as if it were a fresh application for grant of a certificate of initial registration.

(6) The Board, on being satisfied that the applicant is eligible, shall grant a certificate of permanent registration in Form Band shall send an intimation to the applicant.

(7) On the grant of a certificate of permanent registration the merchant banker shall be liable to pay the fee in accordance with Schedule II of these regulations.]"

[29] Regulation 9 was omitted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 5-7-2011. Prior to omission, regulations 9 as amended by Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 1997 w.e.f, 09.12.1997, Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 1998 w.e.f, 21-01-1998, Securities and Exchange Board of India (Merchant Bankers) (Third Amendment) Regulations, 2006 w.e.f. 7-9-2006 and Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, w.e.f. 26-8-2009, read as under:

"**9.** (1) Three months before the expiry of the period of certificate, the merchant banker may, if he so desires, make an application for renewal in *Form A.*

(1A) An application for renewal made under sub-regulation (1) shall be accompanied by a non-refundable application fee as specified in Schedule II.

(1B) The application for renewal under sub-regulation (1) shall be accompanied by details of the changes that have taken place in the information that was submitted to the Board while seeking registration or earlier

[30][**Conditions of registration.**

**9A.** (1) [31][Registration granted under regulation 8] shall be subject to the following conditions, namely:—

(a) where the merchant banker proposes[32][change in control], it shall obtain prior approval of the Board for continuing to act as such after the change;

(b) [33][it shall pay the fees for registration, in the manner provided in these regulations;]

(c) it shall take adequate steps for redressal of grievances of the investors within one month of the date of the receipt of the complaint and keep the Board informed about the number, nature and other particulars of the complaints received;

(d) it shall maintain capital adequacy requirements specified in regulation 7 at all times during the period of the[34][***];

(e) it shall abide by the regulations made under the Act in respect of the activities carried on by it as merchant banker.

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renewal, as the case may be, and a declaration stating that no changes other than those as mentioned in such details have taken place.

(2) The application of renewal, under sub-regulation (1), shall be dealt with in the same manner as if it were a fresh application for grant of a certificate :

Provided that in the case of an application for renewal of certificate of registration, the provisions of clause (*a*) of regulation 6 shall not be applicable up to June 30, 1998.

(3) The Board on being satisfied that the applicant is eligible for renewal of certificate shall grant a certificate in *Form B* and sent an intimation to the applicant.

(4) & (5) -Omitted

(6) On the grant of a certificate the applicant shall be liable to pay the fees in accordance with Schedule II."

[30]Inserted by the Securities and Exchange Board of India (Merchant Bankers) (Third Amendment) Regulations, 2006. w.e.f. 7-9-2006.

[31] Substituted for the words "Any [31][initial registration] granted under regulation 8 or any [31][permanent registration granted under regulation 8A" by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.

Prior to the above, the words "initial registration" was substituted for "registration" and the words "permanent registration granted under regulation 8A" was substituted for the words "renewal granted under regulation 9" by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 5-7-2011.

[32] Substituted for "to change its status or constitution" by the (Change in conditions of Registration of Certain Intermediaries) (Amendment) Regulations, 2011. w.e.f. 19-04-2011.

[33] Substituted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to substitution clause (b) read as udner "(b) it shall pay the fees for [33][initial registration or permanent registration], as the case may be, in the manner provided in these regulations;"

Prior to the above, the words "initial registration or permanent registration" were substituted for the words "registration or renewal" by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 5-7-2011.

[34]The words "initial registration or permanent" were omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to omission, the words "initial registration or permanent" were sbstituted for the words "certificate or renewal thereof" by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011.

[35][(f)it shall immediately intimate the Board, details of changes that have taken place in the information that was submitted, while seeking registration.]

(2) Nothing contained in clause (a) of sub-regulation (1) shall affect the obligation to obtain a fresh registration under section 12 of the Act in cases where it is applicable.

**[36][9B ***]**

**Procedure where registration is not granted.**

**10.**[37][(1) Where an application for grant of a certificate of registration under regulation 3 does not satisfy the criteria set out in regulation 6, the Board shall reject the application after giving an opportunity of being heard.]

[38][(2) The refusal to grant registration, shall be communicated by the Board within thirty days of such refusal to the applicant stating therein the grounds on which the application has been rejected.]

(3) Any applicant may, being aggrieved by the decision of the Board under sub-regulation (1), 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.

**[39][11. Effect of refusal to grant certificate of permanent registration.**

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[35] Inserted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.

[36] Omitted by the by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011. Prior to the substitution the regulation read as under:

" Period of validity of certificate.

9B.The certificate of registration granted under regulation 8 and its renewal granted under regulation 9, shall be valid for a period of three years from the date of its issue to the applicant."

[37] Substituted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to substitution, sub-regulation (1) read as under:

"(1) Where an application for grant of a certificate [37][of initial registration under regulation 3 or of permanent registration under regulation 8A] does not satisfy the criteria set out in regulation 6, the Board may reject the application after giving an opportunity of being heard."

Prior to this the words "of initial registration under regulation 3 or of permanent registration under regulation 8A" were substituted for the words "under regulation 3 or of renewal under regulation 9" by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011.

[38] Substituted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to substitution, sub-regulation (s) read as under:

"(2) The refusal to grant [38][initial registration or permanent registration, as the case may be,] shall be communicated by the Board within thirty days of such refusal to the applicant stating therein the grounds on which the application has been rejected."

Prior to this the words "initial registration or permanent registration, as the case may be," were substituted for the word "registration" by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011.

[39]Omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to omission, the regulation was

Any applicant, whose application for grant of a certificate of permanent registration has been refused by the Board, on and from the date of receipt of the communication, shall not carry on any activity as a merchant banker:

**Provided** that the Board may, in the interest of investors in the securities market, permit the merchant banker to carry on activities undertaken prior to the receipt of the intimation of refusal subject to such condition as the Board may specify.]

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

**12.** (1) Every applicant eligible for grant of a certificate shall pay such fees in such manner and within the period specified in *Schedule II.*

(2) Where a merchant banker fails to pay the annual fees as provided in sub-regulation (1), read with Schedule II, the Board may suspend the registration certificate, whereupon the merchant banker shall cease to carry on any activity as a merchant banker for the period during which the suspension subsists.

## CHAPTER III

## GENERAL OBLIGATIONS AND RESPONSIBILITIES

**Code of conduct.**

**13.** Every merchant banker shall abide by the Code of Conduct as specified in *Schedule III.*

[40][**Merchant banker not to associate with any business other than that of the securities market.**

**13A.** No merchant banker, other than a Bank or a [41][***]Public Financial Institution, who has been granted a certificate of registration under these regulations shall [42][after June 30, 1998] carry on any business other than that in the securities market.

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substituted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011 and read as under:

"**11. Effect of refusal to grant certificate of permanent registration.**

Any applicant, whose application for grant of a certificate of permanent registration has been refused by the Board, on and from the date of receipt of the communication, shall not carry on any activity as a merchant banker:

**Provided** that the Board may, in the interest of investors in the securities market, permit the merchant banker to carry on activities undertaken prior to the receipt of the intimation of refusal subject to such condition as the Board may specify."

- Prior to substitution by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011, the regulation read as under:

" ***Effect of refusal to grant certificate.***

11. Any merchant banker whose application for a certificate has been refused by the Board shall, on and from the date of the receipt of the communication under sub-regulation (2) of regulation 10, cease to carry on any activity as merchant banker."

[40]Inserted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 1997 w.e.f, 09.12.1997.

[41] Substituted for the words "Financial Institution" by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 1997 w.e.f, 15.12.1997.

Notwithstanding anything contained above, a merchant banker who prior to the date of notification of the Securities and Exchange Board of India (Merchant Bankers) Amendment Regulations, 1997, has entered into a contract in respect of a business other than that of the securities market may, if he so desires, discharge his obligations under such contract:

[43][Provided that a merchant banker who has been granted certificate of registration to act as primary or satellite dealer by Reserve Bank of India, may carry on such business as may be permitted by the Reserve Bank of India.]

[44][Provided further that a merchant banker, who has been granted certificate of registration under these regulations, may ensure market making in accordance with Chapter XA of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009]

*Explanation*: For the purposes of this regulation,—

(*i*) A "bank" shall mean a banking company as defined under section 5 of the Banking Regulation Act, 1949 (10 of 1949), and the corresponding new bank set up under the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1970 (5 of 1970), and the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1980 (40 of 1980), State Bank of India Act, 1955 (23 of 1955) and State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959).

(*ii*) A "public financial institution" shall have the same meaning as assigned to the term under section 4A of the Companies Act, 1956 (1 of 1956) and shall include Industrial Development Corporations and Financial Corporations established by the Central Government or State Governments, as the case may be.]

**Maintenance of books of account, records etc.**

**14.** (1) Every merchant banker shall keep and maintain the following books of account, records and documents namely :—

(*a*) a copy of balance sheet as at the end of the each accounting period;

(*b*) a copy of profit and loss account for that period;

(*c*) a copy of the auditor's report on the accounts for that period[45][;]

(*d*) a statement of financial position.

[46][(e) Records and documents pertaining to due diligence exercised in pre-issue and post –issue activities of issue management and in case of takeover, buyback and delisting of securities.]

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[42] Words "after June 30th, 1998" inserted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 1998 w.e.f, 21-01-1998.

[43]Proviso to regulation 13A was inserted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 1999 w.e.f, 17.11.1999.

[44] Proviso to regulation 13A was inserted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2010 w.e.f, 13.04.2010.

[45] Substituted for the full stop by the Securities and Exchange Board of India (Merchant Bankers) (Second) (Amendment) Regulations, 2011 w.e.f. 16-08-2011.

[46] Inserted by the Securities and Exchange Board of India (Merchant Bankers) (Second) (Amendment) Regulations, 2011 w.e.f. 16-08-2011.

(2) Every merchant banker shall intimate to the Board the place where the books of account, records and documents are maintained.

(3) Without prejudice to sub-regulation (1), every merchant banker shall, after the end of each accounting period furnish to the Board copies of the balance sheet, profit and loss account and such other documents for any other preceding five accounting years when required by the Board.

**Submission of half-yearly results.**

**15.** Every merchant banker shall furnish to the Board half-yearly unaudited financial results when required by the Board with a view to monitor the capital adequacy of the merchant banker.

**Maintenance of books of account, records and other documents.**

**16.** The merchant banker shall preserve the books of account and other records and documents maintained under regulation 14 for a minimum period of five years.

**Report on steps taken on auditor's report.**

**17.** Every merchant banker shall, within two months from the date of the auditor's report, take steps to rectify the deficiencies made out in the auditor's report.

**Appointment of lead merchant bankers.**

**18.**[47][***]

**Restriction on appointment of lead managers.**

**19.** [48][***]

**Responsibilities of lead managers.**

**20.** (1) No lead manager shall agree to manage or be associated with any issue unless his responsibilities relating to issue mainly, those of disclosures, allotment and refund are clearly defined, allocated and determined and a statement specifying

[47]Omitted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, w. e. f., 26-08-2009.

[48]Omitted vide Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2006. w.e.f. 18-4-2006. Before the omission, regulation 19 read as under :

"Restriction on appointment of lead managers-

19. The number of lead merchant bankers may not, exceed in case of any issue of Size of issue No. of Merchant Bankers

(a) Less than rupees fifty crores Two
(b) Rupees fifty crores but less than rupees one hundred crores Three
(c) Rupees one hundred crores but less than rupees two hundred crores Four
(d) Rupees two hundred crores but less than rupees four hundred crores Five
(e) Above Rupees four hundred crores five or more as may be agreed by the board"

such responsibilities is furnished to the Board at least one month before the opening of the issue for subscription:

**Provided** that, where there are more than one lead merchant bankers to the issue the responsibilities of each of such lead merchant bankers shall clearly be demarcated and a statement specifying such responsibilities shall be furnished to the Board at least one month before the opening of the issue for subscription.

(2) [49][****]

**Lead merchant banker not to associate with a merchant banker without registration.**

**21.** A lead merchant banker shall not be associated with any issue if a merchant banker who is not holding a certificate is associated with the issue.

[50][**Merchant banker not to act as such for an associate.**

**21A.** (1) A merchant banker shall not lead manage any issue or be associated with any activity undertaken under any regulations made by the Board, if he is a promoter or a director or an associate of the issuer of securities or of any person making an offer to sell or purchase securities in terms of any regulations made by the Board:

Provided that a merchant banker who is an associate of such issuer or person may be appointed, if he is involved only in the marketing of the issue or offer.

Explanation**:** For the purposes of this regulation, a merchant banker shall be deemed to be an "associate of the issuer or person" if:

(i) either of them controls, directly or indirectly through its subsidiary or holding company, not less than fifteen per cent. of the voting rights in the other; or

(ii) either of them, directly or indirectly, by itself or in combination with other persons, exercises control over the other; or

(iii) there is a common director, excluding nominee director, amongst the issuer, its subsidiary or holding company and the merchant banker."]

**Underwriting obligations.**

**22.** In respect of every issue to be managed, the lead merchant banker holding a certificate under Category I shall accept a minimum underwriting obligation of five per cent of the total underwriting commitment or rupees twenty-five lacs, whichever is less :

Provided that, if the lead merchant banker is unable to accept the minimum underwriting obligation, that lead merchant banker shall make arrangement for having the issue underwritten to that extent by a merchant banker associated with the issue and shall keep the Board informed of such arrangement.

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[49] Omitted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, w. e. f., 26-08-2009.

[50] Inserted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, w. e. f., 26-08-2009.

[51][Provided further that in any issue made in accordance with Chapter XA of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 the merchant banker shall, itself or jointly with other merchant bankers associated with the issue, underwrite at least fifteen per cent of the issue size.]

**Submission of due diligence certificate.**
**23.**[52][****]

**Document to be furnished to the Board.**
**24.**[53][****]

**Payment of fees to the Board.**
**24A.**[54][****]

**Continuance of association of lead manager with an issue.**
**25.**[55][****]

**Acquisition of shares prohibited.**

**26.** No merchant banker or any of its directors, partner or manager or principal officer shall either on their respective accounts or through their associates or relatives, enter into any transaction in securities of bodies corporate on the basis of unpublished price sensitive information obtained by them during the course of any professional assignment either from the clients or otherwise.

**Information to the Board.**

**27.** Every merchant banker shall submit to the Board complete particulars of any transaction for acquisition of securities of any body corporate whose issue is being managed by that merchant banker within fifteen days from the date of entering into such transaction.

[56][Provided that complete particulars of any transaction for acquisition of securities made in pursuance of underwriting or market making obligations in accordance with Chapter XA of the Securities and Exchange Board of India (Issue of Capital and

[51] Proviso to regulation 22 was inserted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2010 w.e.f, 13.04.2010

[52] Omitted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, w. e. f., 26-08-2009.

[53] Omitted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, w. e. f., 26-08-2009.

[54] Omitted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, w. e. f., 26-08-2009.

[55] Omitted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, w. e. f., 26-08-2009.

[56] Proviso to regulation 27 was inserted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2010 w.e.f, 13.04.2010.

Disclosure Requirements) Regulations, 2009 shall be submitted to the Board on quarterly basis.]

**Disclosures to the Board.**

**28**[57][(1)] A merchant banker shall disclose to the Board, as and when required, the following information, namely:—

(*i*) his responsibilities with regard to the management of the issue;

(*ii*) any change in the information or particulars previously furnished, which have a bearing on the certificate granted to it;

(*iii*) the names of the body corporate whose issues he has managed or has been associated with;

(*iv*) the particulars relating to the breach of the capital adequacy requirement as specified in regulation 7;

(*v*) relating to his activities as a manager, underwriter, consultant or adviser to an issue, as the case may be.

[58][{(2) The merchant banker shall submit a periodic report in such manner as may be specified by the Board from time to time}]

[59][**Appointment of compliance officer.**

**28A.** (1) Every merchant banker 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 and ensure that the observations made or deficiencies pointed out by the Board on/in the draft prospectus or the letter of offer as the case may be, do not recur.]

## CHAPTER IV

## PROCEDURE FOR INSPECTION

**Board's right to inspect.**

**29.** (1) The Board may appoint one or more persons as inspecting authority to undertake inspection of the books of account, records and documents of the merchant banker for any of the purposes specified in sub-regulation (2).

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[57] Inserted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, w. e. f., 26-08-2009.

[58] Substituted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2012 w.e.f. 29.03.2012. Prior to this sub- regulation, which was inserted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, w. e. f., 26-08-2009, read as under :
"The merchant banker shall submit a half yearly report for the period ending with 31st March and 30th September of every year, in the format specified in schedule IV, within three months from the close of the period to which it corresponds."

[59] Inserted by the Securities and Exchange Board of India (Investment Advice by Intermediaries) (Amendment) Regulations, 2001, w.e.f., 29-5-2001.

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

(*a*) to ensure that the books of account are being maintained in the manner required;

(*b*) that the provisions of the Act, rules, regulations are being complied with;

(*c*) to investigate into the complaints received from investors, other merchant bankers or any other person on any matter having a bearing on the activities of the merchant banker; and

(*d*) to investigate *suo motu* in the interest of securities business or investors interest into the affairs of the merchant banker.

**Notice before inspection.**

**30.** (1) Before undertaking an inspection under regulation 28 the Board shall give a reasonable notice to the merchant banker for that purpose.

(2) Notwithstanding anything contained in sub-regulation (1), where the Board is satisfied that in the interest of the investors no such notice should be given, it may by an order in writing direct that the inspection of the affairs of the merchant banker be taken up without such notice.

(3) During the course of inspection, the merchant banker, against whom an inspection is being carried out, shall be bound to discharge his obligations as provided under regulation 31.

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**Obligations of merchant banker on inspection by the Board.**

**31.** (1) It shall be the duty of every director, proprietor, partner, officer and employee of the merchant banker, who is being inspected, to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with the statements and information relating to his activities as a merchant banker within such time as the inspecting authority may require.

(2) The merchant banker shall allow the inspecting authority to have reasonable access to the premises occupied by such merchant banker 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 merchant banker or any such other person and also provide copies of documents or other materials which, in the opinion of the inspecting authority, are relevant for the purposes of the inspection.

(3) The inspecting authority, in the course of inspection, shall be entitled to examine or record statement of any principal officer, director, partner, proprietor and employee of the merchant banker.

(4) It shall be the duty of every director, proprietor, partner, officer or employee of the merchant banker to give to the inspecting authority all assistance in connection with inspection which the merchant banker 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.

[60][**Action on inspection or investigation report.**

**33.** The Board or the Chairman shall after consideration of inspection or investigation report take such action as the Board or Chairman may deem fit and appropriate including action under [61][ Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008]].

**Appointment of auditor.**

**34.** The Board may appoint a qualified auditor to investigate into the books of account or the affairs of the merchant bankers:

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

*Explanation.*—For the purposes of this regulation the expression "qualified auditor" shall have the same meaning as given in section 226 of the Companies Act, 1956 (1 of 1956).

## CHAPTER V

## PROCEDURE FOR ACTION IN CASE OF DEFAULT

[62][**Liability for action in case of default.**

**35.** A merchant banker who contravenes any of the provisions of the Act, Rules or Regulations framed thereunder shall be liable for one or more actions specified

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[60] Substituted by the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 w.e.f.,27.09.2002. Prior to the substitution the regulation read as under:

"Communication of findings etc. to the merchant banker" 33. (1) The Board shall after consideration of the inspection report communicate the findings to the merchant banker to give him an opportunity of being heard before any action is taken by the Board on the findings of the inspecting authority.

(2) On receipt of the explanation if any, from the merchant banker, the Board may call upon the merchant banker to take such measures as the Board may deem fit in the interest of the securities market and for due compliance with the provisions of the Act, rules and regulations."

[61] Substituted for "the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 by the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, w.e.f, 26-5-2008.

[62]Substituted by the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 w.e.f, 26-5-2008. Prior to the substitution the regulation read as under:

33. Action on inspection or investigation report –

The Board or the Chairman shall after consideration of inspection or investigation report take action as the Board or Chairman may deem fit and appropriate including action under the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002."

Prior to the above substitution the regulation read as under:

"33. Communication of findings etc. to the merchant banker etc.-

(1) The Board shall after consideration of the inspection report communicate the findings to the merchant banker to give him an opportunity of being heard before any action is taken by the Board on the findings of the inspecting authority.

(2) On receipt of the explanation if any, from the merchant banker, the Board may call upon the merchant banker to take such measures as the Board amy deem fit in the interest of the securities market and for due compliance with the provisions of the Act, rules and regulations."

therein including the action under Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.]

**36.** to **43.**[63][***]

*SCHEDULE I*

*FORMS*

***FORM A***

*Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992*

[[64][Regulation 3]]

**[65][Application for Grant of Certificate of Registration]**

Name of Applicant

[66][***]

Category I

Contact Name

Telephone No.

*Instructions for Filling up Form*

*1.* Applicants must submit a completed application form together with appropriate supporting documents to the Board.

*2.* It is important that this application form should be filled in accordance with the regulations.

*3.* Application for registration will be considered provided it is complete in all respects.

*4.* Answers must be typed.

*5.* Information which needs to be supplied in more details may be given on separate sheets which should be attached to the application form.

*6.* All signatures must be original.

1. Particulars of the applicant:

1.1 Name of Applicant :

1.2 (A) Address—Principal Place of business/Registered Office of the Company.

[63]The regulations 36 to 43 were omitted by the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 w.e.f., 27.09.2002.

[64]Substituted for "Regulation 3/ Regulation 8A" by the the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to this, the words "Regulation 3/ Regulation 8A" were substituted for the words "Regulation 3" by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011.

[65]Substituted for "Application for Grant of Certificate of Initial/ Permanent Registration" by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to this, the words "Application for Grant of Certificate of Initial/ Permanent Registration" were substituted for the words "Application for Grant of Certificate / Renewal of Certificate" by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011.

[66] Words "Applied for :II/III/IV" omitted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 1997 w.e.f , 9-12-1997.

Pin Code..... Telephone No. ..... Telex No. .....

Fax No.....

(B) Address for Correspondence :

Pin Code..... Telephone No. ..... Telex No. .....

Fax No. .....

(C) Address of Branch Offices :

2. Organisation structure

(Organisation Chart separately showing functional responsibilities of Merchant Banking activities to be enclosed).

2.1 Objectives : (To be given in brief alongwith copy of Memorandum and Articles of Association).

2.2 Date and Place of Incorporation :

| Day | Month/Year | Place |
|---|---|---|
| | | |

2.3 Status of the Applicant : (*e.g.,* limited company—Private/Public, unlimited company, partnership, proprietary, others. If listed, names of Stock Exchanges and latest share price to be given).

2.4 Particulars of all Directors/Partners/Proprietors:

| *Name* | *Qualification* | *Experience in Merchant Banking & Financial Ser- vices related areas* | *Share in applicants firm/company* | *Directorship in other companies* |
|---|---|---|---|---|
| | | | | |

2.5 Particulars of Key Management Personnel : (Particulars of merchant banking division)

| *Name* | *Qualification* | *Experience with particular reference to merchant banking* | *Date of appointment* | *Functional areas* |
|---|---|---|---|---|
| | | | | |

2.6 Name and activities of associate companies/concerns

| *Name of Company/ Firm* | *Address* | *Types of activity handled* | *Nature of interest of Promoter /Director* | *Nature of interest of applicant company* |
|---|---|---|---|---|
| | | | | |

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3. Business information

3.1 History, major events and present activities :

3.2 Details of Experience in Merchant Banking activities:

3.3 Experience in other financial services rendered :

3.4 Business handled during the last three years :

(*a*) Issue Management

| *Name of client* | *Type of issue* | *Size of Issue* | *Year of Issue* | *Times subscribed* | *Name of lead merchant banker* | *Functional responsibilities* |
|---|---|---|---|---|---|---|
| *1* | *2* | *3* | *4* | *5* | *6* | *7* |

(*b*) Investment Adviser

| *Name of client* | *Year for which services are rendered* | *Nature of services rendered* |
|---|---|---|

(*c*) Underwriting

| *Name of client* | *Year of issue* | *Type and Size of Issue* | *Amount under-written* | *%age of Issue under written* | *Whether there was any development* |
|---|---|---|---|---|---|

(*d*) Portfolio Management

| *Name of Scheme* | *Features of the Scheme* | *Number of clients* | *Total volume of funds managed* | *Average returns* |
|---|---|---|---|---|

(*e*) Consultants/Advisors to the Issue

| *Name of the client* | *Year of Issue* | *Type and size of Issue* | *Nature of services rendered* | *Name of lead Merchant Banker(s)* |
|---|---|---|---|---|

4. Client information

4.1 List of major clients with address

Name

Services rendered

.....
.....

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.....
.....
.....
.....

4.2 If the applicant is proposing to engage in Merchant Banking activities for the first time, the experience of key management personnel to be indicated.

| *Name of Key Management Personnel* | *Qualification* | *Previous positions held* | *Experience particularly in respect of merchant banking activities* |
|---|---|---|---|
| | | | |

4.2a If the applicant is proposing to engage in Merchant Banking activities for the first time, business plan of the company with projected volume of activities and income for which registration is sought to be specifically given.

4.3 Details of infrastructure including computing facilities, equity research and data base available with the applicant.

4.4 Any other information considered relevant to the nature of services rendered by the applicant.

5. Financial information.

(Rs. in lakhs)

| 5.1 | *Capital structure* | *Year prior to the preceding year or current year* | *Preceding year* | *Current year* |
|---|---|---|---|---|
| | (*a*) Paid-up capital | | | |
| | (*b*) Free reserves (excluding revaluation reserves) | | | |
| | (*c*) Total (*a*) + (*b*) | | | |

**Notes:** 1. In case of partnership or proprietary concerns, please indicate capital *minus* drawings.

*2.* In case of partnership or proprietary concerns, please indicate the financial position, means and net worth of the partners.

5.2 Deployment of Resources

(Rs. in lakhs)

| | *Year prior to the preceding year or current* | *Preceding year* | *Current year* |
|---|---|---|---|

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| *year* |
|---|
| (*a*) Fixed Assets |
| (*b*) Plant & Machinery and office equipment |
| (*c*) Quoted Investments |
| (*d*) Unquoted Investments |
| (*e*) Details of Liquid Assets |
| (*f*) Others |
| (Details of investments, Loans & Advances made to Associate Companies/Firms where Promoters/Directors have an interest be separately given). |

5.3 Major Sources of Income:

(Rs. in lakhs)

| | *Year prior to the preceding year* | *Preceding year or current year* | **Fees charged as % of issue* |
|---|---|---|---|
| (*a*) Issue Management | | | |
| (*b*) Underwriting | | | |
| (*c*) Portfolio Management | | | |
| (*d*) Consultant/Adviser to issue | | | |
| (*e*) Investment Adviser | | | |
| (*f*) Others | | | |

*As fees charged by the Merchant Banker may vary from issue to issue, please indicate range within which fees have been charged.

5.4 Net Profit

| *Year prior to the preceding year* | *Preceding year or current year* | *Current year* |
|---|---|---|
| | | |

5.5 5.5 Dividend

| *Year prior to the preceding year* | *Preceding year or current year* | *Current year* |
|---|---|---|
| | | |

5.6 5.6

Amount

Percentage

**Note:** Please enclose three years of Audited Annual Accounts. Where Unaudited Reports are submitted, give reasons. If Minimum net worth requirement has

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been met after last Audited Annual Accounts. Audited Statement of Accounts of a later date also be submitted.

5.6 List of major shareholders (holding 5% and above of applicant directly or along with associates—applicable only to limited companies).

Shareholding as on : .....

| *Name of Shareholder* | *No. of shares held* | *%age of total paid up capital of the company* |
|---|---|---|
| | | |

5.7 Name and address of the principal bankers of the applicant.

5.8 Name and address of the auditors.

6. *Other information*

6.1 Details of all settled and pending disputes:

| *Nature of dispute* | *Name of the party* | *Pending/settled* |
|---|---|---|
| | | |

6.2 *Indictment or involvement in any economic offences by the applicant or any of the Directors, or key Managerial Personnel in the last three years.*

DECLARATION

This Declaration must be signed by Two Directors, Two Partners or the Sole Proprietor, as the case may be.

I/We hereby apply for registration.

I/We warrant that I/we have truthfully and fully answered the questions above and provided all the information which might reasonably be considered relevant for the purposes of my registration.

I/We declare that the information supplied in the application form is complete and correct.

For and on behalf of .....
.....

(Name of Applicant)

| | |
|---|---|
| Director/Partner or sole Proprietor | Director/Partner |
| Name in Block Letters | Name in Block Letters |
| | Date |

***FORM B***

*Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992*

[[67][Regulation 8 / Regulation 8A]]

[67] Substituted for "Regulation 8" by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011.

## [68][Certificate of Registration]

I. 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 merchant banker in Category I [69][***] subject to the conditions in the rules and in accordance with the regulations to carry out the following activities:

*1. Management of any issue, including preparation of prospectus, gathering information relating to the Issue, determining financing structure, tie up of financiers, final allotment and refund of excess application money.

*2. Investment Adviser

[70][***]

*5. Manager, consultant or Adviser to any issue including corporate advisory services.

*6. Consultant or Adviser.

(*Delete whichever are not applicable)

II. Registration Code for the merchant banker is MB.

III. [71][This certificate of registration shall be valid unless it is suspended or cancelled by the Board.]

By Order Sd/- For and on behalf of Securities and Exchange Board of India

Place :

Date :

***[72][FORM C***

***]***

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[68]Substituted for "Certificate of Initial / Permanent Registration" by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to this, the words "Certificate of Initial / Permanent Registration" were substituted for the words "Certificate of Registration" by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011.

[69] Figures "II/III/IV" omitted by the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1997 w.e.f , 9-12-1997.

[70] The words "3.Underwriting of Issue" and "4. Portfolio Management Service" shall be omitted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 1997 w.e.f , 9-12-1997.

[71]Substituted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to substitution, paragraph III as substituted by the Securities and Exchange Board of India (Merchant Bankers) Regulations, 2011 w.e.f. 05-07-2011 read as under:

"This certificate of registration shall be valid from ….. to …. / for permanent, unless suspended or cancelled by the Board."

Prior to substitution by the Securities and Exchange Board of India (Merchant Bankers) Regulations, 2011 w.e.f. 05-07-2011, the paragraph read as under:

"This certificate shall be valid from.....to.....and may be renewed as specified in regulation 9 of the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992."

[72] Omitted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, w. e. f., 26-08-2009.

*SCHEDULE II*

*Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992*

[Regulation 12]

**FEES**

[73][1. Every merchant banker shall pay a sum of [74][twenty lakh] rupees as registration fee at the time of grant of certificate of [75][***] registration.

1A. [76][***]

2. [77][A merchant banker who has been granted a certificate of registration, to keep its registration in force, shall pay a fee of nine lakh rupees every three years from the sixth year, from the date of grant of certificate of registration or from the date of grant of certificate of initial registration granted prior to the commencement of the Securities and Exchange Board of India (Change in Conditions of Registration of Certain Intermediaries) (Amendment) Regulations, 2016, as the case may be.]

3.(*a*) The fee referred to in paragraph 1 shall be paid by the merchant banker within fifteen days from the date of receipt of intimation from the Board under sub-regulation (1) of regulation 8.

[78][(aa) ***]

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[73] Substituted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011. Prior to the substitution the paragraphs as amended by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 1996 and Securities and Exchange Board of India (Merchant Bankers) (Third Amendment) Regulations, 2006 read as under:

"1. Every merchant banker shall pay a sum of [*ten lakh rupees*] as registration fees at the time of the grant of certificate by the Board.

2. A merchant banker to keep registration in force shall pay renewal fee of [*five lakh rupees*] every three years from the fourth year from the date of initial registration."

[74] Substituted by the SEBI (Payment of Fees) (Amendment) Regulations, 2014, w.e.f.23-5-2014 for the words "thirteen lakh thirty three thousand and three hundred".

[75] The words "initial" was omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.

[76]Omitted by the by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to omission, paragraph 1A read as under:

"1A. A merchant banker referred to under sub-regulation (3) of regulation 8 shall pay fee for the remaining period of two years on *pro rata* basis to the fee prescribed under paragraph 2. "

[77] Substituted by the by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to substitution, paragraph 2 read as under:

"2. A merchant banker who has been granted a certificate of permanent registration, to keep its registration in force, shall pay a fee of [77][nine] lakh rupees every three years from the sixth year from the date of grant of certificate of initial registration, or from completion of the period of renewed certificate of registration, as the case may be."

Prior to above, the word "nine" was substituted by the SEBI (Payment of Fees) (Amendment) Regulations, 2014, w.e.f. 23-5-2014 for the word "five".

[78]Omitted by the by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to omission, clause (aa), as inserted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011 read as under:

[79][(b)The fee referred to in paragraph 2 shall be paid by the merchant banker three months before expiry of the block for which fee has been paid.]

[80][3A. The non-refundable fee payable along with an application for registration under sub-regulation (1A) of regulation 3 [81][***] shall be a sum of [82][fifty thousand] rupees.]

4. The fees specified in paragraphs [83][1, [84][***] ,2, and 3A] shall be payable by the merchant banker [85][by way of direct credit in the bank account through NEFT/RTGS/IMPS or any other mode allowed by RBI or]by a demand draft in favour of 'Securities and Exchange Board of India' payable at Mumbai or at the respective regional office.]

[86][*SCHEDULE III*

*Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992*

[Regulation 13]

**CODE OF CONDUCT FOR MERCHANT BANKERS**

**1.** A merchant banker shall make all efforts to protect the interests of investors.

**2.** A merchant banker shall maintain high standards of integrity, dignity and fairness in the conduct of its business.

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"(aa) The fee referred to in paragraph 1A shall be paid by the merchant banker three months before completion of the period of three years from the date of grant of certificate of initial registration, or within a period of three months from the date of notification of these regulations, as the case may be."

[79]Substituted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016. Prior to substitution clause (b) read as under:
"(b) The fee referred to in paragraph 2 shall be paid by the merchant banker, at the time of grant of permanent registration, within fifteen days from the date of receipt of intimation from the Board under sub-regulation (6) of regulation 8A and thereafter the fee shall be paid three months before expiry of the block for which fee has been paid."

Prior to above, clause (b) was substituted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011. Prior to the substitution the clause read as under:
"(b) The fee referred to in paragraph 2 shall be paid by the merchant banker within fifteen days from the date of receipt of intimation from the Board under sub regulation (3) of regulation 9."

[80] Inserted by the Securities and Exchange Board of India (Merchant Bankers) (Third Amendment) Regulations, 2006. w.e.f. 7-9-2006.

[81]The words "or an application for [81][permanent registration under sub-regulation (1) or sub-regulation (2) of regulation 8A" omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.

Prior to this, the words "permanent registration under sub-regulation (1) or sub-regulation (2) of regulation 8A" were substituted for the words "renewal of registration under sub-regulation (1A) of regulation 9" by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011.

[82] Substituted by the SEBI (Payment of Fees) (Amendment) Regulations, 2014, w.e.f. 23-5-2014 for the words "twenty five"

[83] The word and figures "1,2 and 3A" shall be substituted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2011 w.e.f. 05-07-2011.

[84] The words "1A" were omitted by the Securities andExchange Board ofIndia (Change In Conditions Of Registration Of Certain Intermediaries) (Amendment) Regulations,2016 w.e.f. 08-12-2016.

[85] Inserted by the SEBI (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2017, w.e.f. 6-3-2017

[86]Substituted by the Securities and Exchange Board of India (Merchant Banker) (Amendment) Regulations, 2003 w.e.f, 01.10.2003.

**3.** A merchant banker shall fulfil its obligations in a prompt, ethical, and professional manner.

**4.** A merchant banker shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment.

**5.** A merchant banker shall endeavour to ensure that—

(*a*) inquiries from investors are adequately dealt with;

(*b*) grievances of investors are redressed in a timely and appropriate manner;

(*c*) where a complaint is not remedied promptly, the investor is advised of any further steps which may be available to the investor under the regulatory system.

**6.** A merchant banker shall ensure that adequate disclosures are made to the investors in a timely manner in accordance with the applicable regulations and guidelines so as to enable them to make a balanced and informed decision.

**7.** A merchant banker shall endeavour to ensure that the investors are provided with true and adequate information without making any misleading or exaggerated claims or any misrepresentation and are made aware of the attendant risks before taking any investment decision.

**8.** A merchant banker shall endeavour to ensure that copies of the prospectus, offer document, letter of offer or any other related literature is made available to the investors at the time of issue or the offer.

**9.** A merchant banker shall not discriminate amongst its clients, save and except on ethical and commercial considerations.

**10.** A merchant banker shall not make any statement, either oral or written, which would misrepresent the services that the merchant banker is capable of performing for any client or has rendered to any client.

**11.** A merchant banker shall avoid conflict of interest and make adequate disclosure of its interest.

**12.** A merchant banker 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.

**13.** A merchant banker shall make appropriate disclosure to the client of its possible source or potential areas of conflict of duties and interest while acting as merchant banker which would impair its ability to render fair, objective and unbiased services.

**14.** A merchant banker shall always endeavour to render the best possible advice to the clients having regard to their needs.

**15.** A merchant banker shall not divulge to anybody either orally or in writing, directly or indirectly, any confidential information about its clients which has come to its knowledge, without taking prior permission of its clients, except where such disclosures are required to be made in compliance with any law for the time being in force.

**16.** A merchant banker shall ensure that any change in registration status/any penal action taken by the Board or any material change in the merchant banker's financial status, which may adversely affect the interests of clients/investors is promptly informed to the clients and any business remaining outstanding is transferred to

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another registered intermediary in accordance with any instructions of the affected clients.

**17.** A merchant banker shall not indulge in any unfair competition, such as weaning away the clients on assurance of higher premium or advantageous offer price or which is likely to harm the interests of other merchant bankers or investors or is likely to place such other merchant bankers in a disadvantageous position while competing for or executing any assignment.

**18.** A merchant banker shall maintain arms length relationship between its merchant banking activity and any other activity.

**19.** A merchant banker shall have internal control procedures and financial and operational capabilities which can be reasonably expected to protect its operations, its clients, investors and other registered entities from financial loss arising from theft, fraud, and other dishonest acts, professional misconduct or omissions.

**20.** A merchant banker shall not make untrue statement or suppress any material fact in any documents, reports or information furnished to the Board.

**21.** A merchant banker shall maintain an appropriate level of knowledge and competence and abide by the provisions of the Act, regulations made thereunder, circulars and guidelines, which may be applicable and relevant to the activities carried on by it. The merchant banker shall also comply with the award of the Ombudsman passed under the Securities and Exchange Board of India (Ombudsman) Regulations, 2003.

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

**23.** (*a*) A merchant banker or any of its employees shall not render, directly or indirectly, any investment advice about any security in any publicly accessible media, whether real-time or non-real-time, unless a disclosure of his interest including a long or short position, in the said security has been made, while rendering such advice.

(*b*) In the event of an employee of the merchant banker rendering such advice, the merchant banker shall ensure that such employee shall also disclose the interests, if any, of himself, his dependent family members and the employer merchant banker, including their long or short position in the said security, while rendering such advice.

**24.** A merchant banker shall demarcate the responsibilities of the various intermediaries appointed by it clearly so as to avoid any conflict or confusion in their job description.

**25.** A merchant banker shall provide adequate freedom and powers to its compliance officer for the effective discharge of the compliance officer's duties.

**26.** A merchant banker shall develop its own internal code of conduct for governing its internal operations and laying down its standards of appropriate conduct for its employees and officers in carrying out their duties. Such a code may extend to the maintenance of professional excellence and standards, integrity, confidentiality, objectivity, avoidance or resolution of conflict of interests, disclosure of shareholdings and interests, etc.

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**27.** A merchant banker shall ensure that good corporate policies and corporate governance are in place.

**28.** A merchant banker shall ensure that any person it employs or appoints to conduct business is fit and proper and otherwise qualified to act in the capacity so employed or appointed (including having relevant professional training or experience).

**29.** A merchant banker shall ensure that it has adequate resources to supervise diligently and does supervise diligently persons employed or appointed by it in the conduct of its business, in respect of dealings in securities market.

**30.** A merchant banker shall be responsible for the Acts or omissions of its employees and agents in respect of the conduct of its business.

**31.** A merchant banker shall ensure that the senior management, particularly decision makers have access to all relevant information about the business on a timely basis.

**32.**A merchant banker shall not be a party to or instrument 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 and proposed to be listed in any stock exchange to any person or intermediary in the securities market.]

[87][****]

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[87] Omitted by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2012 w.e.f. 29.03.2012. Prior to the omission, the schedule was substituted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, w.e.f., 26-08-2009.