



CIRCULAR

CIR/MIRSD/16/2011

August 22, 2011

All Recognized Stock Exchanges

Dear Sirs,

Subject: Simplification and Rationalization of Trading Account Opening Process.

1. SEBI has been getting feedback from the investors that the present trading account opening procedure is very cumbersome. The investor has to enter into a number of agreements depending on his trading preferences i.e. stock exchanges, segments, internet / wireless technology based trading, etc. As a result, it requires a large number of signatures on various documents devised by the stock brokers/trading members.
2. With a view to simplify and rationalize the account opening process, we have reviewed, consolidated and updated all the documents/requirements prescribed in respect of account opening process over the years, in consultation with major stock exchanges and market participants. The simplification includes replacement of all client-broker agreements with the 'Rights and Obligations' document, which shall be mandatory and binding on the existing and new stock brokers (including trading members) and clients. Accordingly, SEBI (Stock Broker and Sub-Broker) Regulations, 1992 have been amended suitably vide notification No. LAD-NRO/GN/2011-12/19/26273 dated August 17, 2011.
3. SEBI has devised the uniform documentation to be followed by all the stock brokers / trading members; a copy thereof to be provided by them to the clients. The details of such documents are listed below:
 - i. Index of documents giving details of various documents for client account opening process - **Annexure-1**
 - ii. Client Account Opening Form in two parts:
 - a. Know Your Client (KYC) form capturing the basic information about the client and instruction/check list to fill up the form - **Annexure-2**.
 - b. Document capturing additional information about the client related to trading account - **Annexure-3**.
 - iii. Document stating the Rights & Obligations of stock broker, sub-broker and client for trading on exchanges (including additional rights & obligations in case of internet / wireless technology based trading)– **Annexure-4**.
 - iv. Uniform Risk Disclosure Documents (for all segments / exchanges) - **Annexure-5**.
 - v. Guidance Note detailing Do's and Don'ts for trading on exchanges - **Annexure-6**.
4. In the account opening process, the stock brokers / trading members would also give the following useful information to the clients:
 - a. A tariff sheet specifying various charges, including brokerage, payable by the client to avoid any disputes at a later date.

- b. Information on contact details of senior officials within the stock broking firm and investor grievance cell in the stock exchange, so that the client can approach them in case of any grievance.
5. It may be noted that any voluntary clause / document added by the stock brokers shall form part of the non-mandatory documents. The stock broker shall ensure that any voluntary clause/document shall neither dilute the responsibility of the stock broker nor it shall be in conflict with any of the clauses in the mandatory documents, Rules, Bye-laws, Regulations, Notices, Guidelines and Circulars issued by SEBI and the stock exchanges from time to time. Any such clause introduced in the existing as well as new documents shall stand null and void.
6. The client will now be required to sign only on one document i.e. Account Opening Form. Further, in the same form, the client shall continue to put his signatures instead of saying 'yes' or 'tick mark' while indicating preferences for trading in different exchanges / segments, in accordance with existing requirements. However, in case the investor wants to avail Running Account facility, execute Power of Attorney, etc., he would have to give specific authorization to the stock broker in order to avoid any dispute in the future.
7. In case the stock broker is also a depository participant, he can use the same KYC form (as specified in Annexure-2) for basic details and take additional information pertaining to demat account.
8. The stock brokers shall take necessary steps to implement this circular immediately and ensure its full compliance in respect of all new clients acquired on or after 15 days from the date of this circular.
9. The following SEBI circulars shall stand modified to the extent of the above changes:
 - a. No.SMD/POLICY/CIRCULAR/5-97 dated April 11, 1997
 - b. No. SMD/POLICY/CIRCULAR/11-97 dated May 21, 1997
 - c. No. FITTC/DC/CIR-3468/98 dated December 03, 1998
 - d. No. SMDRP/POLICY/CIR- 06/2000 dated January 3, 2000
 - a. No. SEBI/MRD/SE/Cir- 37/2003 dated September 30, 2003
 - e. No. SEBI/MIRSD/DPS-1/Cir-31/2004 dated August 26, 2004
 - f. No. MIRSD/SE/Cir-19/2009 dated December 3, 2009
 - g. No. CIR/MRD/DP/25/2010 dated August 27, 2010
 - h. No. CIR/MRD/DP/26/2010 dated August 27, 2010
10. The Stock Exchanges are directed to:
 - a. bring the provisions of this circular to the notice of the Stock Brokers and also disseminate the same on their websites.
 - b. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision in co-ordination with one another to achieve uniformity in approach.
 - c. communicate to SEBI, the status of the implementation of the provisions of this circular Monthly Development Report of the following month; and
 - d. monitor the compliance of this circular through half-yearly internal audit and inspections of stock brokers.



11. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

Yours faithfully,

B. N. Sahoo
Deputy General Manager
022-26449250
email: biranchins@sebi.gov.in

Enclosures: Annexures 1-6