

Annexure I – Proposed Amendment to Schedule II

No.	Existing Provision	Proposed Amendment (additions in bold and deletions in strikethrough)
1.	<p>(1) The applicant or intermediary shall meet the criteria, as provided in the respective regulations applicable to such an applicant or intermediary including:</p> <p>(a) the competence and capability in terms of infrastructure and manpower requirements; and</p> <p>(b) the financial soundness, which includes meeting the net worth requirements.</p>	No amendment proposed.
2.	<p>(2) The 'fit and proper person' criteria shall apply to the following persons:</p> <p>(a) the applicant or the intermediary;</p> <p>(b) the principal officer, the directors or managing partners, the compliance officer and the key management persons by whatever name called; and</p> <p>(c) the promoters or persons holding controlling interest or persons exercising control over the applicant or intermediary, directly or indirectly:</p> <p>Provided that in case of an unlisted applicant or intermediary, any person holding twenty percent or more voting rights, irrespective of whether they hold controlling interest or exercise control, shall be required to fulfill the 'fit and proper person' criteria.</p> <p>Explanation– For the purpose of this sub-clause, the expressions "controlling interest" and "control" in case of an applicant or intermediary, shall be construed with reference to the respective regulations</p>	No amendment proposed.

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	applicable to the applicant or intermediary.	
3.	(3) For the purpose of determining as to whether any person is a 'fit and proper person', the Board may take into account any criteria as it deems fit, including but not limited to the following:	No amendment proposed.
4.	(a) integrity, honesty, ethical behaviour, reputation, fairness and character of the person;	No amendment proposed.
5.	(b) the person not incurring any of the following disqualifications:	the person not incurring any of the following disqualifications being subject to any of the following events:
6.	i. criminal complaint or information under section 154 of the Code of Criminal Procedure, 1973 (2 of 1974) has been filed against such person by the Board and which is pending;	criminal complaint or information under section 154 of the Code of Criminal Procedure, 1973 (2 of 1974) has been filed against such person by the Board and which is pending; [Omitted]
7.	ii. charge sheet has been filed against such person by any enforcement agency in matters concerning economic offences and is pending;	charge sheet has been filed against such person by any enforcement agency in matters concerning economic offences and is pending; [Omitted]
8.	iii. an order of restraint, prohibition or debarment has been passed against such person by the Board or any other regulatory authority or enforcement agency in any matter concerning securities laws or financial markets and such order is in force;	No amendment proposed.
9.	iv. recovery proceedings have been initiated by the Board against such person and are pending;	No amendment proposed.
10.	v. an order of conviction has been passed against such person by a court for any offence involving moral turpitude;	an order of conviction has been passed against such person by a court for any economic offence or an offence of securities laws or any offence involving moral turpitude;
11.	vi. any winding up proceedings have been initiated or an order for winding up has been passed against such person;	any winding up proceedings have been initiated or an order for winding up has been passed against such person;

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12.	vii. such person has been declared insolvent and not discharged;	No amendment proposed.
13.	viii. such person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force;	No amendment proposed.
14.	ix. such person has been categorized as a wilful defaulter;	No amendment proposed.
15.	x. such person has been declared a fugitive economic offender; or	No amendment proposed.
16.	xi. any other disqualification as may be specified by the Board from time to time.	No amendment proposed.
17.	No corresponding provision.	(3A) If any person under clause (2) is subjected to any event under sub-clause (b) of clause (3), the applicant or intermediary shall inform the Board within seven days of the occurrence of such event.
18.	No corresponding provision.	(3B) A person shall be declared as not 'fit and proper person' by the Board, after giving such person a reasonable opportunity of being heard.
19.	(4) Where any person has been declared as not 'fit and proper person' by an order of the Board, such a person shall not be eligible to apply for any registration during the period provided in the said order or for a period of five years from the date of effect of the order, if no such period is specified in the order.	Where any person has been declared as not 'fit and proper person' by an order of the Board, such a person shall not be eligible to apply for any registration during the period provided in the said order or for a period of five years from the date of effect of the order, if no such period is specified in the order.
20.	(5) At the time of filing of an application for registration as an intermediary, if any notice to show cause has been issued for proceedings under these regulations or under section 11(4) or section 11B of the Act against the applicant or any other person referred in clause (2), then such an application shall not be considered for grant of registration for a period of one year from the date of issuance of	At the time of filing of an application for registration as an intermediary, if any notice to show cause has been issued for proceedings under these regulations or under section 11(4) or section 11B section 11B(1) of the Act against the applicant or any other person referred in clause (2), then such an application shall not be considered for grant of registration for a period of one year six months from the date of issuance of such notice or until the conclusion of the proceedings, whichever is earlier.

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	such notice or until the conclusion of the proceedings, whichever is earlier.	
21.	<p>(6) Any disqualification of an associate or group entity of the applicant or intermediary of the nature as referred in sub-clause (b) of clause (3), shall not have any bearing on the 'fit and proper person' criteria of the applicant or intermediary unless the applicant or intermediary or any other person referred in clause (2), is also found to incur the same disqualification in the said matter:</p> <p>Provided that if any person as referred in sub-clause (b) of clause (2) fails to satisfy the 'fit and proper person' criteria, the intermediary shall replace such person within thirty days from the date of such disqualification failing which the 'fit and proper person' criteria may be invoked against the intermediary:</p> <p>Provided further that if any person as referred in sub-clause (c) of clause (2) fails to satisfy the 'fit and proper person' criteria, the intermediary shall ensure that such person does not exercise any voting rights and that such person divests their holding within six months from the date of such disqualification failing which the 'fit and proper person' criteria may be invoked against such intermediary.</p>	<p>Any disqualification of If an associate or group entity of the applicant or intermediary of the nature as referred in sub-clause (b) of clause (3) has been declared as not 'fit and proper person' by the Board, such declaration shall not have any bearing on the 'fit and proper person' criteria of the applicant or intermediary unless the applicant or intermediary or any other person referred in clause (2), is also found to incur the same disqualification in the said matter be subjected to the same event:</p> <p>Provided that if any person as referred in sub-clause (b) of clause (2) fails to satisfy the 'fit and proper person' criteria has been declared as not 'fit and proper person' by the Board, the intermediary shall replace such person within thirty days from the date of such disqualification declaration failing which the 'fit and proper person' criteria may be invoked against the intermediary:</p> <p>Provided further that if any person as referred in sub-clause (c) of clause (2) fails to satisfy the 'fit and proper person' criteria has been declared as not 'fit and proper person' by the Board, the intermediary shall ensure that such person does not exercise any voting rights and that such person divests their holding within six months seven days from the date of such disqualification declaration failing which the 'fit and proper person' criteria may be invoked against such intermediary.</p>
22.	(7) The 'fit and proper person' criteria shall be applicable at the time of application of registration and during the continuity of registration and the intermediary shall ensure that the persons as referred in sub-clauses (b) and (c) of clause (2) comply with the 'fit and proper person' criteria.	No amendment proposed.