THIRD SCHEDULE
(See regulation 12)
[178][SECURITIES AND EXCHANGE BOARD OF INDIA (CUSTODIAN) REGULATIONS, 1996]

CODE OF CONDUCT

1. The [179][custodian] shall maintain the highest standard of integrity, fairness and professionalism in the discharge of his duties.
2. The [180][custodian] shall be prompt in distributing dividends, interest or any such accruals of income received or collected by him on behalf of his clients on the securities held in custody.
3. The [181][custodian] shall be continuously accountable for the movement of securities [182][or goods] in and out of [183][the] custody account, deposit, and withdrawal of cash from the client's account and shall provide complete audit trail, whenever called for by the client or [184][Board].
4. The [185][custodian] shall establish and maintain adequate infrastructural facility to be able to discharge custodial services to the satisfaction of clients, and the operating procedures and systems of the [155][custodian] shall be well documented and backed by operations manuals.
5. The [155][custodian] shall maintain client confidentiality in respect of the client's affairs.
6. Where custodian records are kept electronically, the [155][custodian] shall take precautions necessary to ensure that continuity in record keeping is not lost or destroyed and that sufficient back up of records is available.
7. The [155][custodian] shall create and maintain the records of securities held in custody in such manner that the tracing of securities or obtaining duplicate title documents is facilitated, in the event of loss of original records for any reason.
8. The [155][custodian] shall extend to other custodial entities, depositories and clearing organizations all such co-operation that is necessary for the conduct of business in the areas of inter custodial settlements, transfer of securities and transfer of funds.
9. The [155][custodian] shall ensure that an arms length relationship is maintained, both in terms of staff and systems, from his other businesses.

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[178] Substituted by the Securities and Exchange Board of India (Custodian of Securities) (Amendment) Regulations, 2018, w.e.f. 1-1-2019.
[179] Substituted ibid.
[180] Substituted by the Securities and Exchange Board of India (Custodian of Securities) (Amendment) Regulations, 2018, w.e.f. 1-1-2019.
[181] Substituted ibid.
[182] Inserted ibid.
[183] Inserted by the Securities and Exchange Board of India (Custodian of Securities) (Amendment) Regulations, 2018, w.e.f. 1-1-2019.
[184] Substituted for "Securities and Exchange Board of India" by the Securities and Exchange Board of India (Custodian of Securities) (Amendment) Regulations, 2018, w.e.f. 1-1-2019.
[185] Substituted ibid.

10. Every [155][custodian] shall exercise due diligence in safe-keeping and administration of the assets of his clients in his custody for which he is acting as [155][custodian].

[186][11. (a) A [155][custodian] or any of his employees shall not render, directly or indirectly any investment advice about any security in the publicly accessible media, whether real-time or non-real-time, unless a disclosure of his interest including long or short position in the said security has been made, while rendering such advice.

(b) In case an employee of the [155][custodian] is rendering such advice, he shall also disclose the interest of his dependent family members and employer including their long or short position in the said security, while rendering such advice.]

[187][12. The custodian shall abide by the provisions of the Act, rules, regulations, circulars and directions issued by the Board and the Reserve Bank of India from time to time, as may be applicable to a custodian. The custodian shall also comply with bye-laws, rules and regulations of Depositories and Clearing Corporation as may be applicable to a custodian.

13. The custodian shall not indulge in any unfair competition, which is likely to harm the interests of other custodians or clients or is likely to place such other custodians in a disadvantageous position while competing for or executing any assignment.

14. The custodian shall not make any exaggerated statement whether oral or written to the clients either about its qualifications or capability to render certain services or about its achievements in regard to services rendered to other clients.

15. The custodian shall not make any untrue statement or suppress any material fact in any documents, reports, papers or information furnished to the Board.

16. The custodian shall ensure that good corporate policies and corporate governance are in place.

17. The custodian shall endeavour to ensure that—

a) inquiries from client are adequately dealt with.

b) grievances of client are redressed in a timely and appropriate manner.

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

18. The custodian shall have internal control procedures as well as financial and operational capabilities which can be reasonably expected to protect its operations, its clients, and other registered entities from financial loss arising from theft, fraud, and other dishonest acts, professional misconduct or omissions.

19. The custodian shall ensure that all its Directors and key management personnel are fit and proper persons at all times.

20. The custodian shall co-operate with the Board as and when required.

21. The custodian shall not neglect or fail or refuse to submit to the Board or other agencies with which it is registered, such books, documents, correspondence, and papers or any part thereof as may be demanded/requested from time to time.

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[186] Inserted by the SEBI (Investment Advice by Intermediaries) (Amendment) Regulations, 2001, w.e.f. 29-5-2001.

[187] Inserted by the Securities and Exchange Board of India (Custodian) (Amendment) Regulations, 2025, w.e.f. 24-03-2026.

22. The custodian 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. The custodian shall be responsible for the acts or omissions of its employees and agents in respect of the conduct of its business.
24. The custodian shall make all efforts to protect the interests of its clients and shall act in the best interest of its clients.
25. The custodian shall provide adequate freedom and powers to its compliance officer for the effective discharge of his duties.
26. The custodian shall ensure that the senior management, particularly decision makers have access to all relevant information about the business on a timely basis.]

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