[141][4. The fee specified in paragraphs 1, 2 and 3A shall be payable by the merchant banker by way of direct credit in the bank account through online payment using SEBI payment gateway.]

[142][*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.

**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.

---

[141] Substituted by the SEBI (Payment of Fees and Mode of Payment) (Amendment) (Regulations) 2021 w.e.f. 05-05-2021. Prior to substitution the clause read as:

"4. The fees specified in paragraphs 1, 2, and 3A shall be payable by the merchant banker 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."

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

**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 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 [143][their] 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,

[143] The word "his" substituted by the word "their" by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2024 w.e.f., 29.11.2024.

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.

**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.]

[144][**33**. A merchant banker or any of its directors, partners or manager having the management of the whole or substantially the whole of affairs of the business, shall not either through its account or their respective accounts or through their associates or family members, relatives or friends indulge in any insider trading.

**34**. A merchant banker acting as an underwriter shall not make any statement, either oral or written, which would misrepresent—

(a) the services that the underwriter is capable of performing for its client, or has rendered to any other issuer company;

(b) [145][its] underwriting commitment.

**35**. A merchant banker acting as an underwriter shall not indulge in any unfair competition, which is likely to be harmful to the interest of other entities acting as underwriters carrying on the business of underwriting or likely to place such other underwriters in a dis-advantageous position in relation to the underwriter while competing for, or carrying out any assignment.]

---

[144] Inserted by the Securities and Exchange Board of India (Merchant Banker) (Amendment) Regulations, 2021 w.e.f. 30-03-2021

[145] The word "his" substituted by the word "its" by the Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2024 w.e.f., 29.11.2024.