Chapter 9 **Page Nos**

9. INSPECTION, AUDIT & PENALTIES 3

1. Client Registration 3

1.1 Know Your Client Forms 3

1.2 Uploading Client Registration details to KYC Registration Agencies (KRAs) 12

2. Segregation Of Client And Own Funds 16

3. Monitoring Of Clients' Funds Lying With The Stock Broker 26

4. Monitoring Of Financial Strength Of Stock Brokers & Risk Based Supervision 34

5. Anti-Money Laundering/Countering The Financing Of Terrorism (AML/CFT) 37

6. Mode of Payment 60

1.1. Mode of Payment/Dealings In Cash 60

1.2. Guidelines On Pre-Funded Instruments / Electronic Fund Transfer 61

7. Non/Short Collection of Margins from Clients/Incorrect Reporting 63

8. Contract Note & Levy Of Brokerage 66

9. Settlement of Client Accounts 71

10. Internal Audit 74

11. Guidelines for Outsourcing of Activities 79

12. Display of Details 81

1.1. Display Of Details By Members 81

1.2. Information Regarding Grievance Redressal Mechanism 81

13. Other Compliances 84

Stamp Duty 84

Portfolio Management Services 84

Customer Protection 86

BPO / KPO Services - Segregation thereof From Commodity Derivative Markets ... 86

Rule 8(1)(f) of Securities Contracts (Regulation) Rules, 1957 interalia states that, ... 86

Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957 interalia states that, ... 87

Logo Of MCX 87

Books of Accounts and other Records 87

14. Indicative Penalties 90

15. Illustrative Compliance Checklist 136

ANNEXURES 142

Annexure – 1 142

Set Of Account Opening Document……...142

Annexure–2 ..……171

Risk Disclosure Document……...……171

Annexure – 3 (of KYC Document)..... 180

Rights And Obligations Of Members, Authorized Persons And Clients……...180

Internet & wireless technology based trading facility provided by members to client 203

Annexure-4 ..……...…208

Guidance note - do's and don'ts for the clients…….208

Annexure-5 214

9. INSPECTION, AUDIT & PENALTIES

1. Client Registration

1.1 Know Your Client Forms

As per SEBI circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016 titled **Regulatory Framework for Commodity Derivatives Brokers** Members (Stock Broker) are required to continue to comply with regulatory requirements relating to client registrations as follows.

Members are required to comply with following requirements regarding Client Registration.

i. For the purpose of registration of new clients, the Member shall make available a folder / booklet containing following documents required for registration of a client. Members will have to ensure that a copy of the whole set is provided by them to the clients:

a) List of mandatory documents to be obtained from the clients.

a.i. **Annexure 1** – *Part-I KYC Form for " Individuals only"

Part-I KYC Form for "Non- Individuals only"

Part-II KYC Form for "Individuals" and "non- individuals".

a.ii. **Annexure 2** – Uniform Risk Disclosure Document

a.iii. **Annexure 3** –Rights and Obligations of Members, Authorized Persons and Clients

a.iv. **Annexure 4** – Guidance Note – Do's and Don'ts for the clients

*As per SEBI Circular number CIR/MIRSD/ 66 /2016 dated July 21, 2016. CERSAI has prescribed Annexure I Part I for "Individuals only".

b) A tariff sheet specifying various charges, including brokerage, payable by the client, to avoid any dispute at a later date. List of documents which are voluntary/non-mandatory in nature.

c) Information on contact details of senior officials and Investor grievance cell of the Member, so that the client can approach them in case of any grievance.

ii. The Non - Mandatory documents (any other document concerned with any term(s) or condition(s), other than those covered in the Mandatory documents) may be obtained from clients subject to the following conditions:

a) The clauses in the non-mandatory part shall not be in contravention of any of the clauses in the mandatory documents, as also the Rules, Business Rules, Bye-laws, circulars of the Exchange, directives and guidelines of SEBI. Any such clause in contravention of the above shall be null and void.

b) Any authorization sought in non-mandatory part shall not be in contravention of the provisions of Rules, Byelaws (including Business Rules, circulars of the Exchange and directives and guidelines of SEBI and Exchanges and has to be a separate document and shall require specific consent of the client.

c) Authorization sought in non-mandatory part shall always be subject to the following conditions.

c.i. The authorization shall contain a clause that the Client may revoke the authorization at any time.

c.ii. The authorization shall be in writing and be signed by the client only and not by any person authorized on his behalf.

c.iii. The authorizations so obtained are not for any inter family / group company / related accounts adjustment.

c.iv. The authorizations so obtained are not for any adjustment of funds among securities Exchange and commodities Exchange.

It may noted that Aadhar card issued by Unique Identification Authority of India (UIDAI) would be admissible as Proof of Identity and Proof of Address in Know Your Customer (KYC) documentation in the Commodity Futures Market and also it has been decided to accept e-KYC service launched by UIDAI also, as a valid process for KYC verification. The information containing relevant client details and photograph, made available from UIDAl as a result of e-KYC process ("which is in an electronic form and accessible so as to be usable for a subsequent reference"), shall be treated as sufficient proof of Identity and Address of the client. However, the client will need to authorize the intermediary to access his data through UIDAI system.

iii. Further as per SEBI Circular no. CIR/MIRSD/64/2016 dated July 12, 2016 following requirements are made applicable.

Members are required to provide copy of following standard documents, which are part of the account opening kit, to the clients.

- Rights and Obligations of Members, Authorized Persons and Clients
- Uniform Risk Disclosure Documents (for all segments/ exchanges); and

- Guidance Note detailing Do's and Don'ts for trading on stock exchanges.

With a view to simplify the account opening kit, it has been decided that, stock broker shall make available these standard documents to the clients, either in electronic or physical form, depending upon the preference of the client as part of account opening kit. The preference of the client shall be sought as part of

the account opening form. In case the documents are made available in electronic form, stock broker/ shall maintain logs of the same.

iv. When establishing a relationship with a new Client, Members of the Exchange must take reasonable steps to assess the background, genuineness, beneficial identity, financial soundness of such person, and his trading objectives by registering the client with them in the format prescribed as CLIENT REGISTRATION FORM, The Member of the Exchange shall also obtain from all Corporate Clients an approved copy of the board resolution permitting trading in Derivatives contracts in commodities.

v. Member of the Exchange shall make the Client aware of particulars of Member's registration number allocated by the Exchange and SEBI, employee primarily responsible for the Clients affairs, the precise nature of business to be conducted, the risk associated with business in trading in contracts listed in the exchange including any limitations on that liability and the capacity in which the Member of the Exchange acts and the Client's liability thereon by issuing to the Client a copy of the RISK DISCLOSURE DOCUMENT. The Member of the Exchange shall furnish a copy of the Risk Disclosure Document and Rights & Obligations of Members, Authorized Persons & Clients to all his clients and to get and maintain their acknowledgement on second copy of the same document.

vi. Further SEBI vide its circular no. MIRSD/Cir- 26/2011 dated ,Dec 23, 2011 and Circular CIR/MIRSD/16/2011 dated Aug 22, 2011 have decided regarding IPV (In-Person Verification) requirement for all intermediaries as follows.

a) It shall be mandatory for all the intermediaries to carry out IPV of their clients.

b) The intermediary shall ensure that the details like name of the person doing IPV, his designation, organization with his signatures and date are recorded on the KYC form at the time of IPV.

c) The IPV carried out by one SEBI registered intermediary can be relied upon by another intermediary.

d) In case of Stock brokers, their Authorized Persons (appointed by the stock brokers after getting approval from the concerned Stock Exchanges in terms of SEBI Circular No. MIRSD/DR-1/Cir-16/09 dated November 06, 2009) can perform the IPV.

e) Stock broker has an option of doing 'in-person' verification through web camera at the branch office of the stock broker/authorized person's office.

h) In case of non-resident clients, employees at the stock broker's local office, overseas can do in-person' verification. Further, considering the infeasibility of carrying out 'In-person' verification of the non-resident clients by the stock broker's staff, attestation of KYC documents by Notary Public, Court, Magistrate, Judge, Local Banker, Indian Embassy / Consulate General in the country where the client resides may be permitted.

Additional Requirement (for new clients)

Further SEBI vide circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016 titled Regulatory Framework for Commodity Derivatives Brokers has made applicable SEBI Circular number CIR/MIRSD/01

/2013 dated Jan 04, 2013 and also Clause 1 to 11 and Clause 14 to 19 of Annexure A of SEBI Circular number MIRSD/ SE /Cir-19/2009 dated Dec 03, 2009 for new client accounts with respect to requirements of Financial Documents, PAN, Inactive Clients etc. which inter alia states that :

Rationalization process for obtaining PAN by Investors

• With a view to bring about operational flexibility and in order to ease the PAN verification process, the intermediaries may verify the PAN of their clients online at the Income Tax website without insisting on the original PAN card, provided that the client has presented a document for Proof of Identity other than the PAN card.

Client Registration Procedure

Following clauses of SEBI Circular number MIRSD/ SE /Cir-19/2009 dated Dec 03, 2009 (Clause 1 to 11 and Clause 14 to 19 Of Annexure A) are made applicable by the SEBI.

- The stock broker shall register a client and make available a folder /book containing all the documents required for registration of a client. The folder/book shall have an index page listing all the documents contained in it and indicating briefly significance of each document. Once signed, a copy of the same shall be made available to the client.
- The folder/book shall have two parts: (a) Mandatory and (b) Non-mandatory.
- Member shall execute mandatory documents in the format as prescribed by SEBI.
- The client shall indicate that stock exchange as well as market segment where he intends his trade to be executed. He shall do so in the KYC form in his own hand and signed against these.
- The KYC form shall capture the identity and the address of the introducer instead of his MAPIN/UID. The KYC shall be modified to this extent.
- The stock broker shall have documentary evidence of financial details provided by the clients who opt to deal in the derivative segment. In respect of other clients, the stock broker shall obtain the documents in accordance with its risk management system.
- The Stock Broker shall also capture details of action taken against a client by SEBI or other authorities during the last 3 years.
- There shall be a mandatory document dealing with Policies and Procedures for each of the following under appropriate headings:

  a. setting up client's exposure limits,

  b. applicable brokerage rate,

  c. imposition of penalty/delayed payment charges by either party, specifying the rate and the period (This must not result in funding by the broker in contravention of the applicable laws),

  d. the right to sell clients' securities or close clients' positions, without giving notice to the client, on account of non-payment of client's dues (This shall be limited to the extent of settlement/margin obligation),

  e. shortages in obligations arising out of internal netting of trades,

  f. conditions under which a client may not be allowed to take further position or the broker may close the existing position of a client,

  g. temporarily suspending or closing a client's account at the client's request, and

h. deregistering a client.

Non-mandatory Documents

- Any term or condition other than those stated in the mandatory part shall form part of non-mandatory documents.
- The clauses in the non-mandatory part shall not be in contravention of any of the clauses in the mandatory documents, as also the Rules, Regulations, Articles, Byelaws, circulars, directives and guidelines of SEBI and Exchanges.

Any such contravening clause shall be null and void.

- Any authorization sought in non-mandatory part shall be a separate document and shall have specific consent of the client.

[1.1.A. In terms of SEBI press release dated August 01, 2016 and MCX Circular no. MCX/INSP/419/2016 dated December 06, 2016, in order to facilitate better understanding of the registration documents by clients, the following documents are made available in 15 vernacular languages on the MCX website –

a. Rights and Obligations of Members, Authorised Persons and Clients (including additional rights & obligations in case of internet/wireless technology based trading)

b. Risk Disclosure Document

c. Guidance Note – Do's and Don'ts for the clients.

Members shall make available the above said documents to their clients on demand and also display these documents on their website.

It may be noted that said documents are a translated version of the original documents in English. In case of any ambiguity, the contents of the English version would prevail.][1]

[1.1.B. Members who opt for trading in commodity options for their clients, are required to comply with the following provisions–

a. No fresh Know Your Client (KYC) may be executed by the Members for existing clients who intend to trade in Commodity Options.

b. An undertaking/ consent letter duly signed by persons authorized for the purpose should be obtained from all existing clients who intend to trade in Commodity

[1] Inserted vide MCX Circular No. MCX/INSP/419/2016 dated December 06,2016.

Options clearly stating that further to their KYC details they intend to trade in Commodity Options subject to regulatory requirements of the Exchange and SEBI from time to time. Such undertaking/ consent letter shall be maintained as a part of KYC documents.

c. I n case of existing clients who are Corporate/ Trust, a resolution from Board of Directors/ Trustees clearly stating that the Corporate/ Trust are authorized to trade in Commodity Options and they intend to trade in Commodity Options
d. In case of non-individual clients, the members should ensure that their clients who are Firms/Corporates/Trust/LLP etc. are authorized to trade in Commodity Options.
e. For new clients point no. b, c & d as stated above are applicable in addition to executing KYC documents.

Members are advised specifically to communicate and make clients aware about Risk of Option Holders and Risk of Option Writers as per Annexure 2 in electronic or physical mode as per the preference of the client. Further, Members are required to maintain the proof of communication of the same by way of proof of delivery/ acknowledgement/ electronic logs as may be applicable.

Members are requested to obtain GST Identification No. from existing as well as new clients where ever applicable as part of KYC documents.
The Exchange has prepared the Frequently asked questions (FAQs) which are available on the following link:

https://www.mcxindia.com/faq/Membership/compliance.][2]

[1.1. C. Client Registration Documents for Eligible Foreign Entities (EFEs)

1. As per SEBI Circular no. SEBI/HO/CDMRD/DMP/CIR/P/2018/134 dated October 09, 2018, SEBI has allowed participation of Eligible Foreign Entities (EFEs) in the commodity derivatives market. The EFE shall be required to meet the extant KYC requirements as per extant Indian Anti- Money Laundering Laws in line with extant KYC approach adopted for the equivalent category of Foreign Portfolio Investors (FPIs).
2. Such EFE shall also provide its valid Legal Entity Identifier (LEI) issued by organizations accredited by the Global Legal Entity Identifier Foundation (GLEIF), wherever available.][3]

[2] Inserted vide MCX Circular No. MCX/INSP/244/2017 dated July 21,2017.
[3] Inserted vide MCX Circular No. MCX/INSP/474/2018 dated November 15, 2018.

Reference- SEBI Circulars

Sr. No.	Subject	SEBI Circular Number
1	Regulatory Framework for Commodity Derivatives Brokers	SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016
2	Simplification of Account Opening Kit	CIR/MIRSD/64/2016 dated July12, 2016
3	Guidelines in pursuance of the SEBI KYC Registration Agency (KRA) Regulations, 2011 and for In-Person Verification (IPV)	MIRSD/Cir- 26/2011 dated ,Dec 23, 2011
4	Simplification and Rationalization of Trading Account Opening Process (IPV)	CIR/MIRSD/16/2011 dated Aug 22, 2011
5	Rationalization process for obtaining PAN by Investors	Circular number CIR/MIRSD/01 /2013 dated Jan 04, 2013
6	Dealings between a client and a stock broker (trading members included	Circular number MIRSD/ SE /Cir-19/2009 dated Dec 03, 2009 (Clause 1 to 11 and Clause 14 to 19 of Annexure A)
7	Operationalisation of Central KYC Records Registry (CKYCR)	CIR/MIRSD/ 66 /2016 dated July 21, 2016
8	Participation of Eligible Foreign Entities (EFEs) in the commodity derivatives	SEBI/HO/CDMRD/DMP/CIR/P/2018/134 dated October 09, 2018
9	Client Registration Documents for Eligible Foreign Entities (EFEs)	CIR/IMD/FPIC/CIR/P/2018/131 dated September 21, 2018

General

- All the documents in both the mandatory and the non-mandatory parts shall be printed in minimum font size of 11.
- A copy of all the documents executed by client shall be given to him, free of charge, within 7 days from the date of execution of documents by the client. The stock broker shall take client's acknowledgement for receipt of the same.

- The stock brokers having own web-sites shall display all the documents executed by a client, client's position, margin and other related information, statement of accounts, etc. in the web-site and allow secured access by way of client-specific user id and password.
- No term of the agreement other than those prescribed by SEBI, shall be changed without the consent of the client. Such change needs to be preceded by a notice 15 days.
- The stock broker shall frame the policy regarding treatment of inactive accounts which should, inter-alia, cover aspects of time period, return of client assets and procedure for reactivation of the same. It shall display the same on its web site, if any.
- As on 31ST March of every year, a statement of balance of Funds and Securities in hard form and signed by the broker shall be sent to all the clients.
- [Further, to facilitate integration between stock brokers, it is clarified that client account may be transferred from one stock broker to the other stock broker, by taking the express consent of the client through a verifiable mode of communication and thereby continuing with the existing set of documentation in respect of broker client relationship.][4]

Members are required to comply with the applicable regulatory requirements in this regard as mentioned above and also such other requirements in this regard that may be made applicable from time to time by the SEBI/the Exchange.

[4] Inserted vide MCX Circular No. MCX/MEM/345/2017 dated September 26, 2017.

1.2 Uploading Client Registration details to KYC Registration Agencies (KRAs)

Common/Uniform Client Registration In Commodity Derivative Markets Through KYC Registration Agencies (KRAs)

SEBI vide circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016 titled **Regulatory Framework for Commodity Derivatives Brokers** has made applicable SEBI Circular number MIRSD/Cir-23/2011 dated December 02, 2011 and Para 1 of MIRSD/Cir-26/2011 dated December 23, 2011 with respect to KYC Registration Agencies which inter alia issued guidelines/requirements as follows.

SEBI simplified the account opening process for investors and made it uniform across Intermediaries in the securities markets vide aforementioned circulars. Further, to avoid duplication of KYC process with every intermediary, KRA system was developed for centralization of the KYC records in the securities markets.

Members are required to upload the details of clients after doing the initial KYC of the new clients on the system of KRA and central KYC as per their guidelines applicable from time to time.

An intermediary shall perform the initial KYC of its clients and upload the details on the system of the KRA. When the client approaches another intermediary, the intermediary can verify and download the client's details from the system of the KRA. As a result, once the client has done KYC with a SEBI registered intermediary, he need not undergo the same process again with another intermediary.

Guidelines for Members:

A. The Member shall perform the initial due diligence of the new client whose KYC data are not available with the KRAs, upload the KYC information for both individuals and non-individuals with proper authentication on the system of the KRA, furnish the scanned images of the KYC documents to the KRA, and retain the physical KYC documents.

B. The Member shall furnish the physical KYC documents or authenticated copies thereof to the KRA, whenever so desired by the KRA.

C. A new client can be allowed to start trading / dealing in commodity futures on the Exchange platform through the Member as soon as the client is registered by completing the necessary KYC documentation process. However, the Member shall be under obligation to upload KYC details with proper authentication on the system of the KRA, within 10 days of receipt of the KYC documents from the client.

D. With respect to the existing clients, who were registered with the Members but whose KYC Data were not available with any of the KRAs, the Members were require to upload the KYC information with proper authentication on the

system of the KRA, furnish the scanned images of the documents to the KRA and retain the physical KYC documents

E. With respect to the existing clients, who are presently registered with any of the Members and whose **KYC data are already uploaded on the system of any of the KRAs**, the Member to whom such client approaches, shall download the client's details from the system of KRA.

F. Provided that upon receipt of information on change in KYC details and status of the clients by the Member or when it comes to the knowledge of the Member, at any stage, the Member shall be responsible for uploading the updated information on the system of KRA with proper authentication on the system of the KRA, furnish the scanned images of the additional KYC documents to the KRA, and retain the physical KYC documents.

G. The Members shall also upload the KYC details about their existing clients which are missing/ not available with them by calling for the same from their clients.

H. The Member shall not use the KYC data of a client obtained from the KRA for purposes other than it is meant for; nor shall it make any commercial gain by sharing the same with any third party including its affiliates or associates.

I. The Member shall have the ultimate responsibility for the KYC of its clients, by undertaking enhanced KYC measures commensurate with the risk profile of its clients.

J. The Member shall at all times, have adequate internal controls to ensure the security / authenticity of data uploaded.

K. As per the SEBI circular CIR/MIRSD/ 66 /2016 dated 21st July 2016 and the 2015 amendment to PML (Maintenance of Records) Rules, 2005 (the rules), every reporting entity shall capture the KYC information for sharing with the Central KYC Records Registry in the manner mentioned in the Rules, as per the KYC template for 'individuals' finalized by CERSAI

L. Accordingly, the KYC template finalised by CERSAI shall be used by the registered intermediaries as Part I of AOF for individuals. The KYC template for "individuals" and the "Central KYC Registry Operating Guidelines 2016" for uploading KYC records on CKYCR as finalized by CERSAI from time to time, it is clarified that the requirement for Permanent Account Number (PAN) would continue to be mandatory for completing the KYC process.

M. [With respect to Uploading KYC details of existing and new individual clients with Central KYC Records Registry (CKYCR) , the Government of India, vide its letter dated October 04, 2016, has directed as follows:

a. Registered intermediaries have to update their IT systems as well as register all new accounts of individuals in accordance with the CKYCR template, mandatorily.

b. Mutual funds and Intermediaries other than mutual funds shall ensure completion of uploading of KYC data with CKYCR as decided by SEBI/ The Exchange from time to time.][5]

N. [The restriction for seeking authorization through non-mandatory documents for any adjustment of funds among securities (stock) exchange and commodities exchange, will not be applicable, if such adjustment is within the same broking entity.][6]

O. [In case of Change in Client details / information, Members are required to do necessary due diligence to ensure the correctness of such change in details/information of Clients, obtain appropriate documents / records in support of the change from the Clients, immediately update the changed details / records in KYC details, their back office records, upload the changed details/information to the Exchange in UCC Database, Upload the details/information/records to KRA and CKYCR. Members shall preserve such documents/records received from clients along with the Client Registration Form of respective clients.

Further, if any non-delivery / return of communication or bounce back of email is observed, Members are required to be extra cautious, enquire about the correctness of contact / communication details and email id with the Clients, and update the change, if any, in related records, including that of the Exchange, KRA and CKYCR.][7]

[Members shall ensure that the mobile number and/or email address uploaded in the UCC database of the Exchange are as provided by their respective clients and not of their employees / authorised persons. Members shall also ensure that separate mobile number / email address is uploaded for each client. However, in exceptional circumstances, the Members may, at the specific written request from a client, upload the same mobile number / email address for more than one client provided such clients belong to one family. 'Family' for this purpose, would mean self, spouse, dependent children and dependent parents][8]

Members are required to comply with the applicable regulatory requirements in this regard as mentioned above and also such other requirements in this regard that may be made applicable from time to time by the SEBI/the Exchange.

[5] Inserted vide MCX Circular No. MCX/INSP/ 390/2016 dated November 10, 2016

[6] Inserted, Supra note 4

[7] Inserted vide MCX Circular No. MCX /INSP/363/2016 dated October 21, 2016.

[8] Inserted vide MCX Circular No. MCX/INSP/364/2018 dated September 04, 2018.

Reference- SEBI Circulars

Sr. No.	Subject	SEBI Circulars
1	The Securities and Exchange Board of India (KYC Registration Agency) Regulations, 2011.	MIRSD/Cir-23/2011 dated Dec 2, 2011
2	Guidelines in pursuance of the SEBI KYC Registration Agency (KRA) Regulations, 2011 and for In-Person Verification (IPV)	Para 1 of MIRSD/Cir-26 /2011 dated Dec 23, 2011
3	Operationalisation of Central KYC Records Registry (CKYCR)	CIR/MIRSD/66/2016 dated July 21,2016
[4	Uploading of existing clients KYC details with CKYCR	CIR/MIRSD/120/2016 dated November 10,2016]

2. Segregation Of Client And Own Funds

SEBI vide circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016 titled **Regulatory Framework for Commodity Derivatives Brokers** has made applicable SEBI Circular number SMD/SED/CIR/93/23321 dated Nov 18, 1993 and SEBI Circular number MRD/DoP/SE/Cir- 11/2008 dated Apr 17, 2008 with respect to segregation of client and own funds and securities / commodities which inter-alia states that:

i. It shall be compulsory for all Member brokers to keep the money of the clients in a separate account and their own money in a separate account. No payment for transactions in which the Member broker is taking a position as a principal will be allowed to be made from the client's account. The above principles and the circumstances under which transfer from client's account to Member broker's account would be allowed are enumerated below.

a) Member Broker to keep Accounts:

Every member broker shall keep such books of accounts, as will be necessary, to show and distinguish in connection with his business as a member-

i. Moneys received from or on account of each of his clients and,

ii. the moneys received and the moneys paid on Member's own account.

b) Obligation to pay money into "clients' accounts"

Every member broker who holds or receives money on account of a client shall forthwith pay such money to current or deposit account at bank to be kept in the name of the member in the title of which the word "clients" shall appear (hereinafter referred to as "clients account"). Member broker may keep one consolidated clients account for all the clients or accounts in the name of each client, as he thinks fit: Provided that when a Member broker receives a cheque or draft representing in part money belonging to the client and in part money due to the Member, he shall pay the whole of such cheque or draft into the clients account and effect subsequent transfer as laid down below in para D (ii).

c) What moneys to be paid into "clients account".

No money shall be paid into clients account other than –

i. money held or received on account of clients;

ii. such money belonging to the Member as may be necessary for the purpose of opening or maintaining the account;

iii. money for replacement of any sum which may by mistake or accident have been drawn from the account in contravention of para D given below;

iv. a cheque or draft received by the Member representing in part money belonging to the client and in part money due to the Member

What moneys to be withdrawn from "clients account".

No money shall be drawn from clients account other than –

i. money properly required for payment to or on behalf of clients or for or towards payment of a debt due to the Member from clients or

money drawn on client's authority, or money in respect of which there is a liability of clients to the Member, provided that money so drawn shall not in any case exceed the total of the money so held for the time being for such each client;

ii. such money belonging to the Member as may have been paid into the client account under para 1 C (ii) or 1 C [iv] given above;

iii. money which may by mistake or accident have been paid into such account in contravention of para C above.'

d) Right to lien, set-off etc., not affected. Nothing herein mentioned above shall deprive a Member broker of any recourse or right, whether by way of lien, set-off, counter-claim charge or otherwise against moneys standing to the credit of clients account.

ii. It shall be compulsory for all Member brokers to keep separate accounts for client's securities / commodities and to keep such books of accounts, as may be necessary, to distinguish such securities / commodities from his/their own securities / commodities. Such accounts for client's securities / commodities shall, inter-alia provide for the following:-

a. Securities / commodities that are fully paid for and are held in custody by the Member as security/margin etc. Proper authorization from client for the same shall be obtained by Member;

b. Fully paid for client's securities / commodities registered in the name of Member, if any, towards margin requirements etc.;

iii. Brokers should have adequate systems and procedures in place to ensure that client collateral is not used for any purposes other than meeting the respective client's margin requirements / pay-ins. Brokers should also maintain records to ensure proper audit trail of use of client collateral.

iv. Brokers should further be able to produce the aforesaid records during inspection. The records should include details of :-

a) Receipt of collateral from client and acknowledgement issued to client on receipt of collateral

b) Client authorization for deposit of collateral with the exchange / clearing corporation / clearing house towards margin

c) Record of deposit of collateral with exchange / clearing corporation / clearing house

d) Record of return of collateral to client

e) Credit of corporate action benefits to clients

The records should be periodically reconciled with the actual collateral deposited with the broker

v. Brokers should issue a daily statement of collateral utilization to clients which shall include, inter-alia, details of collateral deposited, collateral utilised and collateral status (available balance / due from client) with break up in terms of cash, Fixed Deposit Receipts (FDRs), Bank Guarantee and securities.

vi. In case of complaints against brokers related to misuse of collateral deposited by clients, exchanges should look into the allegations, conduct inspection of broker if required and based on its findings take necessary action.

vii. In case client collateral is found to be mis-utilised, the broker would attract appropriate deterrent penalty for violation of norms provided under Securities Contract Regulation Act, SEBI Act, SEBI Regulations and circulars, Exchange Byelaws, Rules, and circulars as applicable from time to time.

Further, SEBI vide its Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 has inter-alia directed following, regarding segregation of client and own funds & tagging of bank and depositories account, etc. which shall be applicable within three months from September 26, 2016 or as may be decided by SEBI / the Exchange from time to time.

viii. Naming/Tagging of Bank and Demat Accounts by Stock Broker:

a) Bank accounts maintained by all stock brokers shall have appropriate nomenclature to reflect the purpose for which those bank / demat accounts are being maintained.

b) The nomenclature for bank accounts and demat accounts to be followed is given as under:

- Bank account(s) which hold clients funds shall be named as "Name of Stock Broker - Client Account".
- [Deleted][9]

[9] Deleted vide MCX Circular No. MCX/INSP/195/2017 dated June 22,2017. Prior to deletion it read as under:

- Demat account(s) which hold clients' securities shall be named as "Name of Stock Broker – Client Account".
- [Deleted][10]
- Demat account(s), maintained by the stock broker for depositing securities collateral with the clearing corporation, shall be named as "Name of Stock Broker – Collateral Account".
- Bank account(s) held for the purpose of settlement would be named as " Name of Stock Broker - Settlement Account"

[Bank & Depositary Accounts which do not fall under point 2 (viii) (b) as above would be deemed to be proprietary and naming proprietary bank/demat accounts of the stock broker as 'Stock Broker – Proprietary Account' is voluntary.][11]

ix. Reporting of Bank accounts maintained by Stock Broker:

a) The stock brokers shall inform the Stock Exchanges of existing and new bank account(s) in the following format:

Name and address of Bank	Name of the Branch	Account Number	IFSC Code	Name of Account	Purpose of Account (Own/Client/ Settlement)	Date of A/c Opening	[Date of A/c Closing][12]

"*Bank account(s) which hold own funds of the stock broker shall be named as "Name of Stock Broker - Proprietary Account"*

[10] Deleted, ibid. Prior to deletion it read as under:
"Demat account(s) which hold own securities of the stock broker, shall be named as "Name of Stock Broker – Proprietary Account".

[11] Inserted, ibid.

[12] Inserted vide MCX Circular No. MCX/ INSP/ 354/ 2016 dated October 17, 2016

b) The stock brokers shall inform the Stock Exchanges of existing and new demat account(s) in the following format

Name of DP	Account Number/ Client ID	DP ID	Name of Account Holder	PAN	Sub-type/ tag of Demat Account (Proprietary/ Client/ Pool/ Collateral)	Date of A/c Opening	[Date of A/c closing] [13]

c) Members shall also ensure compliance with the following:

a) All existing demat accounts maintained by stock brokers are assigned the appropriate nomenclature as mentioned above, within three months from September 26, 2016 or as may be decided by SEBI / the Exchange from time to time.

b) All existing bank accounts maintained by stock brokers which do not have the above mentioned nomenclature, shall be assigned appropriate nomenclature, within six months from September 26, 2016 or as may be decided by SEBI / the Exchange from time to time.

c) Details of all existing bank and demat accounts shall be communicated to Stock Exchanges by the stock brokers in the format specified above within one month from September 26, 2016 or as may be decided by SEBI / the Exchange from time to time.

d) All new bank and demat accounts opened by the stock brokers shall be named as per the above given nomenclature and the details shall be communicated to the Stock Exchanges within one week of the opening of the account.

e) In case of closure of any of the reported bank and demat accounts, the same shall be communicated to the Stock Exchanges within one week of its closure

f) Depositories shall ensure that once the nomenclature for a particular demat account has been assigned by the stock broker, then the same shall not be modified.

g) Any non-compliance/non-reporting in this regard by the stock broker shall attract penal action as per the provisions of Stock Exchanges.

[13] Inserted, ibid.

d) [Stock Broker which is also Bank, may be required to report to the Exchange only those bank accounts that are used for their stock broking activities][14]

Following requirement shall be applicable within three months from September 23, 2016 or as may be decided by SEBI/ the Exchange from time to time:

e) In line with the prevalent regulatory requirement, it is reiterated that;

Stock Broker shall not use client funds and securities for proprietary purposes including settlement of proprietary obligations.

- Transfer of funds between "Name of Stock Broker - Client Account" and "Name of Stock Broker - Settlement Account" and client's own bank accounts is permitted. Transfer of funds from "Name of Stock Broker - Client Account" to "Name of Stock Broker - Proprietary Account" is permitted only for legitimate purposes, such as, recovery of brokerage, statutory dues, funds shortfall of debit balance clients which has been met by the stock broker, etc. For such transfer of funds, stock broker shall maintain daily reconciliation statement clearly indicating the amount of funds transferred.
- Transfer of securities between "Name of the Stock Broker - Client Account" and individual client's BO account, "Name of the Stock Broker – Pool Account" and "Name of the Stock Broker – Collateral

  Account" is permitted. Transfer of securities between "Name of the Stock Broker - Client Account" to "Name of the Stock Broker - Proprietary Account" is permitted only for legitimate purposes such as, implementation of any Government/Regulatory directions or orders, in case of erroneous transfers pertaining to client's securities, for meeting legitimate dues of the stock broker, etc. For such transfer of securities, stock broker shall maintain a stock transfer register clearly indicating the day-wise details of securities transferred.
- Exchange shall monitor compliance with the above requirements, during inspections and the same shall be reviewed by the internal auditor of the broker during the half yearly internal audits.

f) As per existing norms, a stock broker is entitled to have a lien on client's securities to the extent of the client's indebtedness to the stock broker and the stock broker may pledge those securities. [****][15]Pledge of

[14] Inserted, Supra note 9.

[15] Deleted, Supra note 9. Prior to deletion it read as under:

such securities is permitted, only if, the same is done through Depository system in compliance with Regulation 58 of the SEBI (Depositories and Participants) Regulations,1996. To strengthen the existing mechanism, the stock brokers shall ensure the following:

- Securities of only those clients can be pledged who have a debit balance in their ledger.
- Funds raised against such pledged securities for a client shall not exceed the debit balance in the ledger of that particular client.
- Funds raised against such pledged securities shall be credited only to the bank account named as "Name of the Stock Broker - Client Account".
- The securities to be pledged shall be pledged from BO account tagged as "Name of the Stock Broker - Client Account".
- Stock Brokers shall send a statement reflecting the pledge and funding to the clients as and when their securities are pledged/unpledged as given below:

Date	Client Code	Ledger debit at the end of trade day*	Collateral of client available with Broker					Pledged Quantity	Pledged Value	Borrowing	Details of Pledge
			Security Name	Previous day's closing price	Total Quantity	Total Value (Total Quantity * Previous day closing price)	Total Value (Adjusted for applicable haircut)				

"This pledge can occur only with the explicit authorization of the client and the stock broker needs to maintain records of such authorisation."

**Ledger debit would be after adjusting for open bills of clients, uncleared cheques deposited by clients and uncleared cheques issued to clients*

g) [Members shall not grant further exposure to the clients when debit balances arise out of client's failure to pay the required amount and such debit balances continues beyond the fifth trading day, as reckoned from date of pay-in except in accordance with the margin trading facility provided or as may be issued from time to time.][16]

x. [Uploading clients' Funds, Securities and Commodities balances on monthly basis:][17]

Stock brokers shall upload the following data on a monthly basis for every client onto each Stock Exchange system where the broker is a member:

a) Exchange-wise end of day fund balance as per the client ledger, consolidated across all segments and also net funds payable or receivable by the broker to/from the client across all Exchanges

b)[End of day securities balances ISIN wise (as on last trading day of the month) and End of day securities balances (as on last trading day of the month) consolidated ISIN wise (i.e., total number of ISINs and total number of securities across all ISINs)"

c)ISIN wise number of securities pledged, if any, and the funds raised from the pledging of such securities and consolidated number of securities pledged (i.e., total number of ISINs and total number of securities across all ISINs), if any and the funds raised from the pledging of such securities."

d) The data at x a), x b) and x c) pertains to the last trading day of the month. The stock broker shall submit the aforesaid data within seven calendar days of the last trading day of the month .][18]

---

[16] Substituted, Supra note 9. Prior to substitution it read as under:

"Stock broker shall not grant further exposure to the clients when debit balances arise out of client's failure to pay the required amount and such debit balances continues beyond the fifth trading day , as reckoned from date of pay in."

[17] Substituted vide MCX Circular No. MCX/ INSP/343/ 2017 dated September 25, 2017. Prior to substitution it read as under:
"Uploading clients' fund balance and securities balance by the Stock Brokers on Stock Exchange system"

[18] *Substituted vide MCX* Circular No.MCX/INSP/446/2017 dated November 29, 2017.Prior to substitution it read as under:

[Further, the Members shall not be required to upload the data with respect to Custodian settled clients and Client with zero funds, commodities and securities having zero balances and also not traded in the last 12 months. Further, it is clarified that the Members shall submit Clients' fund data within seven calendar days of the last trading day of the month.][19]

[2A. Members are required to submit the following:

a. PAN details of all Directors.

b. PAN details of all Key Management Personnel.

(Definition of Key Management Personnel u/s 2(51) of Companies Act, 2013 is as under:

"Key Managerial Personnel", in relation to a company, means-

(i) the Chief Executive Officer or the managing director or the manager;

(ii) the company secretary;

(iii) the whole-time director;

(iv) the Chief Financial Officer; and

(v) such other officer as may be prescribed

c. Submit PAN details of all Dealers in a manner as may be decided by SEBI/ the Exchange from time to time.

Members shall submit the PAN details of all their Directors / Key management Personnel / Proprietor/ Partner/ Karta/ Coparcener/ Trustee as may be decided by SEBI/ the Exchange from time to time.

Any change in the aforesaid details/information related to Directors / Key management Personnel / Proprietor/ Partner/ Karta/ Coparcener/ Trustee/ dealers or PAN shall be intimated to the Exchange within seven days of such change."][20]

"*b) End of day securities balances (as on last trading day of the month) consolidated ISIN wise (i.e., total number of ISINs and number of securities across all ISINs)*

c) For every client, number of securities pledged, if any, and the funds raised from the pledging of such securities

d)The data at x a), x b) and x c) pertains to the last trading day of the month. The stock broker shall submit the aforesaid data within seven days of the last trading day of the month."

[19] Inserted, Supra note 17.

[20]Inserted vide MCX Circular Nos. MCX/ INSP/ 420/ 2016 dated December 06, 2016 & MCX/INSP/ 294/2016 dated September 26, 2016.

Members are required to comply with the applicable regulatory requirements in this regard as mentioned above and also such other requirements in this regard that may be made applicable from time to time by the SEBI/the Exchange .

Reference- SEBI Circulars

Sr. No.	**Subject**	**Circular No.**
1	Regulation of Transactions between Clients and Brokers	SMD/SED/CIR/93/23321 dated November 18, 1993
2	Collateral deposited by clients with brokers	MRD/DoP/SE/Cir-11/2008 dated April 17, 2008
3	Enhanced supervision of Stock Brokers/Depository Participants	SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016

3. Monitoring Of Clients' Funds Lying With The Stock Broker

The following provisions shall be applicable from April 01, 2017 pursuant to SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and as may be decided by SEBI/ the Exchange from time to time.

i. ["Members shall submit the following data as mentioned in SEBI circulars from time to time on the last trading day of every month to the Exchange on or before the next three trading days till March 31, 2018. Thereafter, the uploading of that data by the Members to Exchange shall be on weekly basis i.e. Members shall submit the data as on last trading day of every week on or before the next three trading days. Further, the Members shall not be required to upload data with respect to custodian settled clients.][21]

   a. Aggregate of fund balances available in all Client Bank Accounts, including the Settlement Account, maintained by the stock broker across stock exchanges - A

   b. Aggregate value of collateral deposited with clearing corporations and/or clearing member (in cases where the trades are settled through clearing member) in form of Cash and Cash Equivalents (Fixed deposit (FD), Bank guarantee (BG), etc.) (across Stock Exchanges). Only funded portion of the BG, i. e. the amount deposited by stock broker with the bank to obtain the BG, shall be considered as part of B.

   c. Aggregate value of Credit Balances of all clients as obtained from trial balance across Stock Exchanges (after adjusting for open bills of clients, uncleared cheques deposited by clients and uncleared cheques issued to clients and the margin obligations) - C

   d. Aggregate value of Debit Balances of all clients as obtained from trial balance across Stock Exchanges (after adjusting for open bills of clients, uncleared cheques deposited by clients, uncleared cheques issued to clients and the margin obligations) - D

   e. Aggregate value of proprietary non-cash collaterals i.e. securities which have been deposited with the clearing corporations and/or clearing member (across Stock Exchanges) - E

   f. Aggregate value of Non-funded part of the BG across Stock Exchanges. - F

   g. Aggregate value of Proprietary Margin Obligation across Stock Exchanges - P

---

[21] Substituted, Supra note 17. Prior to substitution it read as under:
"Stock brokers shall submit the following data as on last trading day of every week to the Stock Exchanges on or before the next trading day "

h. Aggregate value of Margin utilized for positions of Credit Balance Clients across Stock Exchanges - MC

i. Aggregate value of Unutilized collateral lying with the clearing corporations and/or clearing member across Stock Exchanges - MF

ii. Based on the aforesaid information submitted by the stock broker, monitoring of clients' funds lying with the stock brokers shall be done on the principles enumerated below:

a. Funds of credit balance clients used for settlement obligation of debit clients or for own purpose:

Principle:

The total available funds i.e. cash and cash equivalents with the stock broker and with the clearing corporation/clearing member (A + B) should always be equal to or greater than Clients' funds as per ledger balance (C) Stock Exchanges shall calculate the difference i.e. G as follows –

$$G = (A+B)-C$$

If difference G is negative, then the total available fund is less than the ledger credit balance of clients. The value of G may indicate utilization of clients' funds for other purposes i.e. funds of credit balance clients are being utilized either for settlement obligations of debit balance clients or for the stock brokers' own purposes. The negative value of G acts as an alert to the Stock Exchanges.

Thereafter, the absolute value of G shall be compared with debit balance of all clients as per client ledger D as follows:

If the absolute value of (G) is lesser than |D|, then the stock broker has possibly utilised funds of credit balance clients towards settlement obligations of debit balance clients to the extent of value of G.

If the absolute value of (G) is greater than |D|, then the stock broker has possibly utilised a part of funds of credit balance clients towards settlement obligations of debit balance clients and remaining part for his own purposes. In such cases the amount of client funds used for own purpose is calculated as follows:

$$H - |G| - |D|$$

b. Funds of clients used for Margin obligation of proprietary trading:

Verify whether the proprietary margin obligations (across Stock Exchanges) is less than the own funds and securities lying with the Stock Exchanges as collateral deposit, as follows

Principle:

The sum of Proprietary funds and securities i.e. (G + E + F) lying with the clearing corporation/clearing member should be greater than or equal to Proprietary margin obligations (P)

If value of G is positive (i.e. A+B > C), then proprietary funds are lying with the clearing corporation/clearing member and/or client bank accounts along with the clients funds to the extent of positive value of G.

The sum of the proprietary funds (positive value of G), the value of proprietary securities (E) and the non-funded portion of bank guarantee

(F) available in the Stock Exchanges is compared with the Proprietary margin obligations (P)

If P > (G+E+F), then Stock Exchange shall calculate the difference I, which is the amount of proprietary margin obligation funded from clients assets.

$$I = P - (G+E+F)$$

If G is negative, then, value of G is considered as 0, as there is no proprietary funds lying with the stock exchange.

The value of I indicates the extent of funds and securities of clients which is possibly utilised towards proprietary margin obligations. This value of I acts as an alert to the Stock Exchanges on the possible mis-utilisation of clients' assets towards proprietary margin obligations.

c. Funds of credit balance clients used for Margin obligations of debit Stock Exchanges shall thereafter, verify whether the clients funds lying with the clearing corporation/clearing member are utilised towards margin obligations of debit balance clients and proprietary margin obligations.

Principle:

The clients' funds lying with the clearing corporation/clearing member should be less than or equal to sum of credit clients' margin obligations (MC) and free collateral deposits available with the clearing corporation/clearing member (MF)

If value of G is negative (i.e. A+B < C), then fund lying with the clearing corporation/ clearing member (B) is entirely clients' fund. In such cases, B is compared with Margin obligations of credit balance clients and the free deposits available with the clearing corporation/ clearing member. The value of J is calculated as under:

$$J = B - (MC + MF)$$

If value of G is positive (i.e. A+B > C), then fund lying with the clearing corporation/clearing member (B) may contain proprietary and clients' fund. Hence, the value of clients funds lying with the clearing corporation/ clearing member i.e. (C-A) shall be considered in the place of B.

In such cases, (C-A) is compared with Margin obligations of credit balance clients and the free deposits available with the clearing corporation/clearing member. The value of J, which is clients' funds utilised towards margin obligations of debit balance clients and proprietary margin obligations, is calculated as under:

$$J = (C - A) - (MC + MF)$$

The value of J, if positive, indicates the extent of clients' funds utilised towards margin obligations of debit balance clients and proprietary margin obligations. This value of J acts as an alert to the Stock Exchanges on the possible mis-utilisation of clients' funds towards margin obligations of debit balance clients and proprietary margin obligations.

Based on the alerts generated, Stock Exchange shall, inter-alia, seek clarifications, carry out inspections and initiate appropriate actions to protect the clients' funds from being misused. Stock Exchanges shall also maintain records of such clarifications sought and details of such inspections. **The aforesaid calculations are illustrated in tabular format in Table 1, 2 & 3 below.**

Table 1 RECONCILIATION - Funds of credit balance clients used for settlement obligation of debit balance clients or for own purpose:

Funds Available in client bank accounts and cash/cash equivalent deposits with clearing corporation/ clearing member - across all Stock Exchanges		Clients' Funds as per the client ledger- across all Stock Exchanges	Difference	Calculate only if G is negative.		
Total of end of the day balance in all the Client Bank Accounts	Collateral deposited with clearing corporation / clearing member in form of Cash and Cash Equivalents*	Total Credit Balance of all the clients (after adjusting for open bills and uncleared cheques)		Total debit balance (after adjusting for open bills and uncleared cheques)	Amount of funds of one client used for another client	Amount of fund used for own purpose (only if absolute value G is greater than debit balance clients)
A	B	C	G=(A+B)-C	D	G, if |G|<|D|	H - |G|-|D| S

** cash equivalents contains other components of collateral deposited by the stock broker, such as, FD, bank Guarantee etc excluding the Non- cash component.* If **G is negative,** then there is utilization of clients' funds for other purposes i.e. either funds of credit balance clients are being utilized for settlement obligations of debit balance clients or for the stock brokers' own purposes. The difference has following two components:

Component I: Use of fund of one client for giving exposure to another client

Component II: Use of client fund for own purposes by stock broker

Amount of funds of one client used for settlement obligation another client = Total Debit balances of all Clients (after adjusting for open bills and uncleared cheques)

Misuse of client's fund for own purpose = Absolute value of G - Total Debit balances of all clients (after adjusting for open bills and uncleared cheques)

Table 2 RECONCILIATION - Funds of clients used for Margin obligation of proprietary trading:

G(if positive) - own money	Value of Own Securities Deposited as Collateral with Clearing corporation/ Clearing member - across all Stock Exchanges	Non funded portion of the Bank Guarantee (F) - across all Stock Exchanges	Proprietary margin Obligation- across all Stock Exchanges	Difference
G(from the the reconciliation stage I – Positive Value)	E	F	P	I=P-(G+E+F)

Proprietary Obligation mentioned in column P shall be the sum of cash margin obligations and derivative margin obligations for proprietary trading as on reporting day.

Table 3 RECONCILIATION - Funds of credit balance clients used for Margin obligations of debit balance clients and proprietary trading:

Total of end of the day balance in all Client BankAccounts- across all Stock Exchanges	Total Credit Balance of all clients (after adjusting for open bills and uncleared cheques)- across all Stock Exchanges	Collateral deposited with clearing corporation/ clearing member in form of Cash and Cash Equivalents- across all Stock Exchanges	Margin utilized for positions of Credit Balance Clients (all exchanges)	Free/unblocked Collateral deposited with clearing corporation / clearing member **(MF)**	Difference
A (from the reconciliation stage 1 - Positive value)	C	B	MC	MF	B- (MC+ M F) Or (C-A)- (MC+ MF)

[DELETED.][22]

Members are required to comply with the applicable regulatory requirements in this regard as mentioned above.

[22] Deleted. Prior to deletion it read as under:

"Aforesaid monitoring mechanism shall be applicable within three months from provisions issued by SEBI vide Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 except for those who are carrying out only proprietary trading and/or only trading for institutional clients"

Reference- SEBI Circulars

Sr.No.	Subject	Circular No.
1	Enhanced supervision of Stock Brokers/Depository Participants	SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016

4. Monitoring Of Financial Strength Of Stock Brokers

The following provisions shall be applicable from April 01, 2017 pursuant to SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 or as may be decided by SEBI / the Exchange from time to time.

Stock brokers shall submit financial statements to Stock Exchanges in the same format as prescribed under Companies Act, 2013 irrespective of whether they fall under the purview of Companies Act, 2013 or not. The due date for submission of the aforesaid financial statements to Stock Exchanges shall be the same as prescribed under Companies Act, 2013 for submission to Registrar of Companies.

No stock broker shall appoint or re-appoint—

iii. an individual as statutory auditor for more than one term of five consecutive years; and

iv. an audit firm as statutory auditor for more than two terms of five consecutive years

Provided that—

i. An individual statutory auditor who has completed his term under clause 5.3

(a) above shall not be eligible for re-appointment as statutory auditor in the same stock broker for five years from the completion of his term.

ii. An statutory audit firm which has completed its term under clause 5.3 (b) above, shall not be eligible for re-appointment as statutory auditor in the same stock broker for five years from the completion of such term.

iii. Provided further that as on the date of appointment no statutory audit firm having a common partner or partners to the other audit firm, whose tenure has expired in a stock broker immediately preceding the financial year, shall be appointed as statutory auditor of the same stock broker for a period of five years:

Members are required to comply with the applicable regulatory requirements in this regard as mentioned above.

[4.2. Submission of Data/Details/Information pertaining to Risk Based Supervision (RBS)

As per SEBI directives, all Members shall submit Data/Details/Information pertaining to Risk Based Supervision (RBS) through Enhanced Supervision portal for the period April 01,2017 to March 31,2018 latest by May 31,2018 and thereafter for such other period and within such timeline as may be prescribed by the Exchange from time to time.

Further Data/Details/Information collected from Members/Exchange towards RBS data is also shared with SEBI and in case of any non-submission/delayed submission by any Member, disciplinary action as detailed below shall be initiated. False / Incorrect submission of data is viewed seriously by the Exchange.

All Members are requested to ensure compliance with the above regulatory requirements.

Indicative Penalty For Non-Submission / Late Submission Of Risk Based Supervision (RBS) Data

Particulars	**Action**	**Remarks**
Submission within 5 days from the end of due date for submission	Penalty of Rs.10,000/-	-
Submission after 5 days but before 15 days from the end of the due date for submission	Penalty of Rs. 10,000 + Rs. 2,000/- per day (from the 6th day till the 15th day from the end of the due date)	-
Non submission after 15 days from the end of due date for submission	Additionally Member will not be allowed to register any new clients in Exchange UCC database. This will be implemented across the exchanges, even if data is not submitted to any one of the Exchanges.	Highest risk rating will be assigned to the parameters for which data is not submitted by the member

	Registration of new clients will be allowed after data is submitted to all the exchanges.	
Non submission after 45 days from the end of due date for submission	In addition to the above trading terminals of the Members will be disabled after giving 2 weeks' notice. Enablement of terminal will not be allowed till the data is submitted to all the Exchanges. The disablement notice issued to the Member shall be shared with all the Exchanges.	Highest risk-rating will be assigned to the parameters for which data is not submitted by the member][23]

Reference- SEBI Circulars

Sr. No.	**Subject**	**Circular No.**
1	Enhanced supervision of Stock Brokers/Depository Participants	SEBI/HO/MIRSD/MIRSD 2/CIR/P/2 016/95 dated September 26, 2016

[23] Inserted vide MCX Circular No. MCX/INSP/101/2018 dated March 20, 2018

5. [Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations"

"SEBI has directed members as a part of requirement of Member registration with SEBI to ensure compliance with the provisions of Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) circulars issued by SEBI time to time. Members are required to comply with regulatory requirements related to Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT)- Obligations of Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules Framed there-under:

Table of Contents

Section 1: Overview
1.1. Introduction
1.2. Background
1.3. Policies and Procedures to Combat Money Laundering and Terrorist financing

Section 2: Detailed Directives
2.1. Written Anti Money Laundering Procedures
2.2. Client Due Diligence (CDD)
2.3. Record Keeping
2.4. Information to be maintained
2.5. Retention of Records
2.6. Monitoring of transactions
2.7. Suspicious Transaction Monitoring and Reporting
2.8. List of Designated Individuals/ Entities
2.9. Procedure for freezing of funds, financial assets or economic resources or related services
2.10. Reporting to Financial Intelligence Unit-India
2.11. Designation of officers for ensuring compliance with provisions of PMLA
2.12. Employees' Hiring/Employee's Training/ Investor Education

Section 1: Overview

1.1. Introduction

1.1.1 The Directives as outlined below provide a general background and summary of the main provisions of the applicable anti-money laundering and anti-terrorist financing legislations in India. They also provide guidance on the practical implications of the Prevention of Money Laundering Act, 2002 (PMLA). The Directives also set out the steps that a registered intermediary or its representatives shall implement to discourage and to identify any money laundering or terrorist financing activities. The relevance and usefulness of these Directives will be kept under review and it may be necessary to issue amendments from time to time.

1.1.2 These Directives are intended for use primarily by intermediaries registered under Section 12 of the Securities and Exchange Board of India Act, 1992 (SEBI Act). While it is recognized that a "one- size-fits-all" approach may not be appropriate for the securities industry in India, each registered intermediary shall consider the specific nature of its business, organizational structure, type of clients and transactions, etc. when implementing the suggested measures and procedures to ensure that they are effectively applied. The overriding principle is that they shall be able to satisfy themselves that the measures taken by them are adequate, appropriate and abide by the spirit of such measures and the requirements as enshrined in the PMLA.

1.2. Background

1.2.1 The PMLA came into effect from 1st July 2005. Necessary Notifications / Rules under the said Act were published in the Gazette of India on 1st July, 2005 by the Department of Revenue, Ministry of Finance, Government of India. The PMLA has been further amended vide notification dated March 6, 2009 and inter alia provides that violating the prohibitions on manipulative and deceptive devices, insider trading and substantial acquisition of securities or control as prescribed in Section 12 A read with Section 24 of the Securities and Exchange Board of India Act, 1992 (SEBI Act) will now be treated as a scheduled offence under schedule B of the PMLA.

1.2.2 As per the provisions of the PMLA, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (which includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under Section 12 of the SEBI Act , shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA. Such transactions include;

i. All cash transactions of the value of more than ` 10 lakh or its equivalent in foreign currency.

ii. All series of cash transactions integrally connected to each other which have been valued below Rs.10 lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency

iii. All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non-monetary account such as demat account, security account maintained by the registered intermediary.

1.2.3 It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' shall also be considered. In case there is a variance in CDD/AML standards prescribed by SEBI and the regulators of the host country, branches/overseas subsidiaries of intermediaries are required to adopt the more stringent requirements of the two.

1.3. Policies and Procedures to Combat Money Laundering and Terrorist financing

1.3.1 Essential Principles:

1.3.1.1 These Directives have taken into account the requirements of the PMLA as applicable to the intermediaries registered under Section 12 of the SEBI Act. The detailed Directives in Section II have outlined relevant measures and procedures to guide the registered intermediaries in preventing ML and TF. Some of these suggested measures and procedures may not be applicable in every circumstance. Each intermediary shall consider carefully the specific nature of its business, organizational structure, type of client and transaction, etc. to satisfy itself that the measures taken by it are adequate and appropriate and follow the spirit of the suggested measures in Section II and the requirements as laid down in the PMLA.

1.3.2 Obligation to establish policies and procedures:

1.3.2.1 Global measures taken to combat drug trafficking, terrorism and other organized and serious crimes have all emphasized the need for financial institutions, including securities market intermediaries, to establish internal procedures that effectively serve to prevent and impede money laundering and terrorist financing. The PMLA is in line with these measures and mandates that all intermediaries ensure the fulfilment of the aforementioned obligations.

1.3.2.2 To be in compliance with these obligations, the senior management of a registered intermediary shall be fully committed to establishing appropriate policies and procedures for the prevention of ML and TF and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. The Registered Intermediaries shall:

a) issue a statement of policies and procedures, on a group basis where applicable, for dealing with ML and TF reflecting the current statutory and regulatory requirements

b) ensure that the content of these Directives are understood by all staff members

c) regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures

d) adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF

e) undertake client due diligence ("CDD") measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction

f) have in system a place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and

g) develop staff members' awareness and vigilance to guard against ML and TF

1.3.2.3 Policies and procedures to combat ML shall cover:

a) Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities transactions, money and client records etc. whether in branches, departments or subsidiaries;

b) Client acceptance policy and client due diligence measures, including requirements for proper identification;

c) Maintenance of records;

d) Compliance with relevant statutory and regulatory requirements;

e) Co-operation with the relevant law enforcement authorities, including the timely disclosure of information; and

f) Role of internal audit or compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff, of their responsibilities in this regard. The internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization structure, number of clients and other such factors

Section 2: Detailed Directives

2.1. Written Anti Money Laundering Procedures

2.1.1 Each registered intermediary shall adopt written procedures to implement the anti- money laundering provisions as envisaged under the PMLA. Such procedures shall include inter alia, the following three specific parameters which are related to the overall 'Client Due Diligence Process':

a) Policy for acceptance of clients

b) Procedure for identifying the clients

c) Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR).

2.2. Client Due Diligence (CDD)

2.2.1 The CDD measures comprise the following:

a) Obtaining sufficient information in order to identify persons who beneficially own or control the securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party shall be identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement

b) Verify the client's identity using reliable, independent source documents, data or information

c) Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted -

i. For clients other than individuals or trusts: Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

aa) The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

Explanation: Controlling ownership interest means ownership of/entitlement to:

i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;

ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or

iii. more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

bb) In cases where there exists doubt under clause (aa) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

cc) Where no natural person is identified under clauses (aa) or (bb) above, the identity of the relevant natural person who holds the position of senior managing official.

ii. For client which is a trust: Where the client is a trust, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

iii. Exemption in case of listed companies: Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

iv. Applicability for foreign investors: Intermediaries dealing with foreign investors' may be guided by the clarifications issued vide SEBI circulars CIR/MIRSD/11/2012 dated September 5, 2012 and CIR/ MIRSD/ 07/ 2013 dated September 12, 2013, for the purpose of identification of beneficial ownership of the client.

v. The Stock Exchanges and Depositories shall monitor the compliance of the aforementioned provision on identification of beneficial ownership through half-yearly internal audits. In case of mutual funds, compliance of the same shall be monitored by the Boards of the Asset Management Companies and the Trustees and in case of other intermediaries, by their Board of Directors

d) Verify the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c).

e) Understand the ownership and control structure of the client.

f) Conduct ongoing due diligence and scrutiny, i.e. Perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the registered intermediary's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds; and

g) Registered intermediaries shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

2.2.2 Policy for acceptance of clients:

2.2.2.1 All registered intermediaries shall develop client acceptance policies and procedures that aim to identify the types of clients that are likely to pose a higher than average risk of ML or TF. By establishing such policies and procedures, they will be in a better position to apply client due diligence on a risk sensitive basis depending on the type of client business relationship or transaction. In a nutshell, the following safeguards are to be followed while accepting the clients:

a) No account is opened in a fictitious / benami name or on an anonymous basis.

b) Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters shall enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.

c) Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time.

d) Ensure that an account is not opened where the intermediary is unable to apply appropriate CDD measures/ KYC policies. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to the intermediary is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. The market intermediary shall not continue to do business with such a person and file a suspicious activity report. It shall also

evaluate whether there is suspicious trading in determining whether to freeze or close the account. The market intermediary shall be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, the market intermediary shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.

e) The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. It shall be specified in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent- client registered with the intermediary, as well as the person on whose behalf the agent is acting shall be clearly laid down. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.

f) Necessary checks and balance to be put into place before opening an account so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide

g) The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

2.2.3 Risk-based Approach:

2.2.3.1 It is generally recognized that certain clients may be of a higher or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. As such, the registered intermediaries shall apply each of the client due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that the registered intermediaries shall adopt an enhanced client due diligence process for higher risk categories of clients. Conversely, a simplified client due diligence process may be adopted for lower risk categories of clients. In line with the risk-based approach, the type and amount of identification information and documents that registered intermediaries shall obtain necessarily depend on the risk category of a particular client.

2.2.3.2 Further, low risk provisions shall not apply when there are suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a low risk

2.2.3.3 Risk Assessment

a) Registered intermediaries shall carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc. The risk assessment shall also take into account any country specific information that is

circulated by the Government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions (these can be accessed at the URL - http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and http://www.un.org/sc/committees/1988/list.shtml)

b) The risk assessment carried out shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. The assessment shall be documented, updated regularly and made available to competent authorities and self-regulating bodies, as and when required.

2.2.4 Clients of special category (CSC): Such clients shall include the following:

a) Non - resident clients

b) High net-worth clients,

c) Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations

d) Companies having close family shareholdings or beneficial ownership

e)Politically Exposed Persons (PEP) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. The additional norms applicable to PEP as contained in the subsequent para 2.2.5 of this circular shall also be applied to the accounts of the family members or close relatives of PEPs.

f) Companies offering foreign exchange offerings

g) Clients in high risk countries where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, countries active in narcotics production, countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, countries against which government sanctions are applied, countries reputed to be any of the following – Havens/ sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent. While dealing with clients in high risk countries where the existence/effectiveness of money laundering control is suspect, intermediaries apart from being guided by the Financial Action Task Force (FATF) statements that identify countries that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatf-gafi.org), shall also independently access and consider other publicly available information.

h) Non face to face clients

i) Clients with dubious reputation as per public information available etc.

The above mentioned list is only illustrative and the intermediary shall exercise independent judgment to ascertain whether any other set of clients shall be classified as CSC or not.

2.2.5 Client identification procedure:

2.2.5.1 The KYC policy shall clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the intermediary – client relationship, while carrying out transactions for the client or when the intermediary has doubts regarding the veracity or the adequacy of previously obtained client identification data.

Intermediaries shall be in compliance with the following requirements while putting in place a Client Identification Procedure (CIP):

a) All registered intermediaries shall proactively put in place appropriate risk management systems to determine whether their client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPS. Further, the enhanced CDD measures as outlined in clause 2.2.5 shall also be applicable where the beneficial owner of a client is a PEP.

b) All registered intermediaries are required to obtain senior management approval for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, registered intermediaries shall obtain senior management approval to continue the business relationship.

c) Registered intermediaries shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.

d) The client shall be identified by the intermediary by using reliable sources including documents / information. The intermediary shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.

e) The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the intermediary in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.

f) Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority within the intermediary

2.2.5.2 SEBI has prescribed the minimum requirements relating to KYC for certain classes of registered intermediaries from time to time as detailed in Schedule II. Taking into account the basic principles enshrined in the KYC

norms which have already been prescribed or which may be prescribed by SEBI from time to time, all registered intermediaries shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices.

Further, the intermediary shall conduct ongoing due diligence where it notices inconsistencies in the information provided. The underlying objective shall be to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued thereunder so that the intermediary is aware of the clients on whose behalf it is dealing.

2.2.5.3 Every intermediary shall formulate and implement a CIP which shall incorporate the requirements of the PML Rules Notification No. 9/2005 dated July 01, 2005 (as amended from time to time), which notifies rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients of the banking companies, financial institutions and intermediaries of securities market and such other additional requirements that it considers appropriate to enable it to determine the true identity of its clients.

2.2.5.4 It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to registered intermediaries (brokers, depository participants, AMCs etc.) from obtaining the minimum information/documents from clients as stipulated in the PML Rules/ SEBI Circulars (as amended from time to time) regarding the verification of the records of the identity of clients. Further no exemption from carrying out CDD exists in respect of any category of clients. In other words, there shall be no minimum investment threshold/ category-wise exemption available for carrying out CDD measures by registered intermediaries. This shall be strictly implemented by all intermediaries and non-compliance shall attract appropriate sanctions.

2.2.6 Reliance on third party for carrying out Client Due Diligence (CDD)

2.2.6.1 Registered intermediaries may rely on a third party for the purpose of

a) identification and verification of the identity of a client and

b) Determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.

2.2.6.2 Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time. Further, it is

clarified that the registered intermediary shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

2.3. Record Keeping

2.3.1 Registered intermediaries shall ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

2.3.2 Registered Intermediaries shall maintain such records as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behaviour.

2.3.3 Should there be any suspected drug related or other laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing a financial profile of the suspect account. To enable this reconstruction, registered intermediaries shall retain the following information for the accounts of their clients in order to maintain a satisfactory audit trail:

a) the beneficial owner of the account;

b) the volume of the funds flowing through the account; and

c) for selected transactions:

i. the origin of the funds

ii. the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.

iii. the identity of the person undertaking the transaction;

iv. the destination of the funds;

v. the form of instruction and authority.

2.3.4 Registered Intermediaries shall ensure that all client and transaction records and information are available on a timely basis to the competent investigating authorities. Where required by the investigating authority, they shall retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the SEBI Act, Rules and Regulations framed there-under PMLA, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.

2.3.5 More specifically, all the intermediaries shall put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:

a) all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;

b) all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency;

c) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;

d) all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

2.4. Information to be maintained

2.4.1 Intermediaries are required to maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

a) the nature of the transactions;

b) the amount of the transaction and the currency in which it is denominated;

c) the date on which the transaction was conducted; and

d) the parties to the transaction.

2.5. Retention of Records

2.5.1 Intermediaries shall take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 of PML Rules have to be maintained and preserved for a period of five years from the date of transactions between the client and intermediary.

2.5.2 As stated in sub-section 2.2.5, intermediaries are required to formulate and implement the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. Records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later.

2.5.3 Thus the following document retention terms shall be observed:

a) All necessary records on transactions, both domestic and international, shall be maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed thereunder as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.

b) Registered intermediaries shall maintain and preserve the records of documents evidencing the identity of its clients and beneficial owners (e.g. copies or records of official identification documents like passports, identity

cards, driving licenses or similar documents) as well as account files and business correspondence for a period of five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later.

2.5.4 In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they shall be retained until it is confirmed that the case has been closed.

2.5.5 Records of information reported to the Director, Financial Intelligence Unit – India (FIU – IND): Registered Intermediaries shall maintain and preserve the records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU – IND, as required under Rules 7 and 8 of the PML Rules, for a period of five years from the date of the transaction between the client and the intermediary.

2.6. Monitoring of transactions

2.6.1 Regular monitoring of transactions is vital for ensuring effectiveness of the AML procedures. This is possible only if the intermediary has an understanding of the normal activity of the client so that it can identify deviations in transactions / activities.

2.6.2 The intermediary shall pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose. The intermediary may specify internal threshold limits for each class of client accounts and pay special attention to transactions which exceeds these limits. The background including all documents/office records /memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI/stock exchanges/FIUIND/ other relevant Authorities, during audit, inspection or as and when required. These records are required to be maintained and preserved for a period of five years from the date of transaction between the client and intermediary.

2.6.3 The intermediary shall ensure a record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and that transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND. Suspicious transactions shall also be regularly reported to the higher authorities within the intermediary.

2.6.4 Further, the compliance cell of the intermediary shall randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not.

2.7. Suspicious Transaction Monitoring and Reporting

2.7.1 Intermediaries shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions,

intermediaries shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.

2.7.2 A list of circumstances which may be in the nature of suspicious transactions is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:

a) Clients whose identity verification seems difficult or clients that appear not to cooperate

b) Asset management services for clients where the source of the funds is not clear or not in keeping with clients' apparent standing /business activity;

c) Clients based in high risk jurisdictions;

d) Substantial increases in business without apparent cause;

e) Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;

f) Attempted transfer of investment proceeds to apparently unrelated third parties;

g) Unusual transactions by CSCs and businesses undertaken by offshore banks/financial services, businesses reported to be in the nature of export-import of small items.

2.7.3 Any suspicious transaction shall be immediately notified to the Money Laundering Control Officer or any other designated officer within the intermediary. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. However, it shall be ensured that there is continuity in dealing with the client as normal until told otherwise and the client shall not be told of the report/ suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken. The Principal Officer/ Money Laundering Control Officer and other appropriate compliance, risk management and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant information.

2.7.4 It is likely that in some cases transactions are abandoned or aborted by clients on being asked to give some details or to provide documents. It is clarified that intermediaries shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

2.7.5 Clause 2.2.4 (g) above categorizes clients of high risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as 'CSC'. Intermediaries are directed that such clients shall also be subject to appropriate counter measures. These measures may include a further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of financial transactions, and applying

enhanced due diligence while expanding business relationships with the identified country or persons in that country etc.

2.8. List of Designated Individuals/ Entities

2.8.1 An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at http://www.un.org/sc/committees/1267/consolist.shtml. Registered intermediaries are directed to ensure that accounts are not opened in the name of anyone whose name appears in said list. Registered intermediaries shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to SEBI and FIU-IND.

2.9. Procedure for freezing of funds, financial assets or economic resources or related services

2.9.1 Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the Central Government has issued an Order dated August 27, 2009 detailing the procedure for the implementation of Section 51A of the UAPA.

2.9.2 Under the aforementioned Section, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism. The Government is also further empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism.

2.9.3 The registered intermediaries shall ensure effective and expeditious implementation of the procedure laid down in the UAPA Order dated August 27, 2009 as listed below

a) On receipt of the updated list of individuals/ entities subject to UN sanction measures (hereinafter referred to as 'list of designated individuals/ entities)from the Ministry of External Affairs (MHA)'; SEBI will forward the same to registered intermediaries for the following purposes:

i. To maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order (referred to as designated individuals/entities) are holding any funds, financial assets or economic resources or related services held in the form of securities with them.

ii. In the event, particulars of any of customer/s match the particulars of designated individuals/entities, intermediaries shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of securities, held by such customer on their books to the Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at jsis@nic.in.

iii. Registered intermediaries shall send the particulars of the communication mentioned in (ii) above through post/fax and through e-mail (sebi_uapa@sebi.gov.in) to the UAPA nodal officer of SEBI, Officer on Special Duty, Integrated Surveillance Department, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051 as well as the UAPA nodal officer of the state/UT where the account is held, as the case may be, and to FIU-IND.

iv. In case the aforementioned details of any of the customers match the particulars of designated individuals/entities beyond doubt, registered intermediaries would prevent designated persons from conducting financial transactions, under intimation to Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No. 011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at jsis@nic.in.

v. Registered intermediaries shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered by paragraph 2.9.2 (a) (ii) above carried through or attempted, as per the prescribed format.

b) On receipt of the particulars as mentioned in paragraph 2.9.3 (a) (ii) above, IS-I Division of MHA would cause a verification to be conducted by the State Police and /or the Central Agencies so as to ensure that the individuals/ entities identified by the registered intermediaries are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by registered intermediaries are held by the designated individuals/entities. This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.

c) In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals/entities, an order to freeze these assets under section51A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the concerned depository under intimation to SEBI and FIU-IND. The order shall take place without prior notice to the designated individuals/entities.

d) Implementation of requests received from foreign countries under U.N. Securities Council Resolution 1373 of 2001.

i. U.N. Security Council Resolution 1373 obligates countries to freeze without delay the funds or other assets of persons who commit, or attempt to commit, terrorist acts

or participate in or facilitate the commission of terrorist acts; of entities or controlled directly or indirectly by such persons; and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds or other assets derived or generated from property owned or controlled, directly or indirectly, by such persons and associated persons and entities.

ii. To give effect to the requests of foreign countries under U.N. Security Council Resolution 1373, the Ministry of External Affairs shall examine the requests made by the foreign countries and forward it electronically, with their comments, to the UAPA nodal officer for IS-I Division for freezing of funds or other assets.

iii. The UAPA nodal officer of IS-I Division of MHA, shall cause the request to be examined, within five working days so as to satisfy itself that on the basis of applicable legal principles, the requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee is a terrorist, one who finances terrorism or a terrorist organization, and upon his satisfaction, request would be electronically forwarded to the nodal officer in SEBI. The proposed designee, as mentioned above would be treated as designated individuals/entities.

iv. Upon receipt of the requests from the UAPA nodal officer of IS-I Division, the list would be forwarded to intermediaries and the procedure as enumerated at paragraphs 2.9.2 (a) and (b) shall be followed.

v. The freezing orders shall take place without prior notice to the designated persons involved.

e) Procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated person

i. Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, shall move an application giving the requisite evidence, in writing, to the concerned registered intermediaries. The registered intermediaries shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the nodal officer of IS-I Division of MHA as per the contact details given in paragraph 5(ii) above within two working days. The Joint Secretary (IS-I), MHA, being the nodal officer for (IS-I) Division of MHA, shall cause such verification as may be required on the basis of the evidence furnished by the individual/entity and if he is satisfied, he shall pass an order, within fifteen working days, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant under intimation to the concerned registered intermediaries. However, if it is not possible for any reason to pass an order unfreezing the assets within fifteen working days, the nodal officer of IS-I Division shall inform the applicant.

f) Communication of Orders under section 51A of Unlawful Activities (Prevention) Act.

i. All Orders under section 51A of the UAPA relating to funds, financial assets or economic resources or related services, would be communicated to stock exchanges, depositories and intermediaries through SEBI.

2.10. Reporting to Financial Intelligence Unit-India

2.10.1 In terms of the PML Rules, intermediaries are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND,

Financial Intelligence Unit-India,

6th Floor, Hotel Samrat,

Chanakyapuri,

New Delhi-110021.

Website: http://fiuindia.gov.in

2.10.2 Intermediaries shall carefully go through all the reporting requirements and formats that are available on the website of FIU – IND under the Section Obligation of Reporting Entity – Furnishing Information – Reporting Format (https://fiuindia.gov.in/files/downloads/Filing_Information.html). These documents contain detailed directives on the compilation and manner/procedure of submission of the reports to FIU-IND. The related hardware and technical requirement for preparing reports, the related data files and data structures thereof are also detailed in these documents While detailed instructions for filing all types of reports are given in the instructions part of the related formats, intermediaries shall adhere to the following:

a) The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.

b) The Suspicious Transaction Report (STR) shall be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion.

c) The Non Profit Organization Transaction Reports (NTRs) for each month shall be submitted to FIU-IND by 15th of the succeeding month.

d) The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;

e) Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND.

f) No nil reporting needs to be made to FIU-IND in case there are no cash/ suspicious/ non – profit organization transactions to be reported.

2.10.3 Intermediaries shall not put any restrictions on operations in the accounts where an STR has been made. Intermediaries and their directors, officers and employees (permanent and temporary) shall be prohibited from disclosing ("tipping off") the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition on tipping off extends not only to the filing of the STR and/ or related information but even before, during and after the submission of an STR. Thus, it shall be ensured that there is no tipping off to the client at any level.

It is clarified that the registered intermediaries, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, shall file STR if they have reasonable grounds to believe that the transactions involve proceeds of crime.

2.11. Designation of officers for ensuring compliance with provisions of PMLA

2.11.1 Appointment of a Principal Officer:

2.11.1.1 To ensure that the registered intermediaries properly discharge their legal obligations to report suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions and shall have access to and be able to report to senior management at the next reporting level or the Board of Directors. Names, designation and addresses (including email addresses) of 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU. As a matter of principle, it is advisable that the 'Principal Officer' is of a sufficiently senior position and is able to discharge the functions with independence

2.11.2 Appointment of a Designated Director:

2.11.2.1 In addition to the existing requirement of designation of a Principal Officer, the registered intermediaries shall also designate a person as a 'Designated Director'. In terms of Rule 2 (ba) of the PML Rules, the definition of a Designated Director reads as under:

"Designated director means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes –

a) the Managing Director or a Whole-Time Director duly authorizes by the Board of Directors if the reporting entity is a company,

b) the managing partner if the reporting entity is a partnership firm,

c) the proprietor if the reporting entity is a proprietorship firm,

d) the managing trustee if the reporting entity is a trust,

e) a person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a body of individuals, and

f) such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above."

2.11.2.2 In terms of Section 13 (2) of the PMLA, the Director, FIU – IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of the intermediary to comply with any of its AML/CFT obligations.

2.11.2.3 Registered intermediaries shall communicate the details of the Designated Director, such as, name designation and address to the Office of the Director, FIU – IND.

2.12. Employees' Hiring/Employee's Training/ Investor Education

2.12.1 Hiring of Employees

2.12.1.1 The registered intermediaries shall have adequate screening procedures in place to ensure high standards when hiring employees. They shall identify the key positions within their own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

2.12.2 Employees' Training:

2.12.2.1 Intermediaries must have an ongoing employee training programme so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements shall have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new clients. It is crucial that all those concerned fully understand the rationale behind these directives, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

2.12.3 Investors Education

2.12.3.1 Implementation of AML/CFT measures requires intermediaries to demand certain information from investors which may be of personal nature or has hitherto never been called for. Such information can include documents evidencing source of funds/income tax returns/bank records etc. This can sometimes lead to raising of questions by the client with regard to the motive and purpose of collecting such information. There is, therefore, a need for intermediaries to sensitize their clients about these requirements as the ones emanating from AML and CFT framework. Intermediaries shall

prepare specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT programme.][24]

[24] Inserted vide MCX Circular No. MCX/INSP/255/2018 dated July 4, 2018

6. Mode of Payment

1.1. Mode of Payment/Dealings In Cash

As per SEBI circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016 and [amendment made thereof vide SEBI circular dated SEBI/HO/MIRSD/DOP/CIR/P/2018/113 dated July 12, 2018][26], Members are required to comply with the following:

i. Brokers and authorised person should not accept cash from the client whether against obligations or as margin for purchase of securities and / or give cash against sale of securities to the clients.

ii. ["All payments shall be received / made by the stock brokers from / to the clients strictly by account payee crossed cheques / demand drafts or by way of direct credit into the bank account through electronic fund transfer, or any other mode permitted by the Reserve Bank of India. The stock brokers shall accept cheques drawn only by the clients and also issue cheques in favour of the clients only, for their transactions. Stock Brokers shall not accept cash from their clients either directly or by way of cash deposit to the bank account of stock broker."][27]

iii. Similarly in the case of securities also giving / taking delivery of securities in "demat mode" should be directly to / from the "beneficiary accounts" of the clients except delivery of securities to a recognized entity under the approved scheme of the stock exchange and / or SEBI.

Members are required to comply with the applicable regulatory requirements in this regard as mentioned above and also such other requirements in this regard that may be made applicable from time to time by the SEBI/the Exchange.

Reference- SEBI Circulars

Sr. No.	Subject	Circular No.
1	Mode of payment and delivery	SMD/MRD/SE/CIR-33/2003/27/08 dated August 27, 2003

[26] Inserted vide MCX Circular No. MCX/INSP/263/2018 dated July 12,2018

[27] Substituted, *ibid*. Prior to substitution, it read as under:

"All payments shall be received/ made by the Members from/ to the clients strictly by account payee crossed cheques/ demand drafts or by way of direct credit into the bank account through EFT, or any other mode allowed by RBI. The Members shall accept the cheques drawn only by the clients and also issue cheques in favour of the clients only, for their transactions. However, in exceptional circumstances the broker or authorised person may receive the amount in cash, to the extent not in violation of the Income Tax requirement as may be in force from time to time."

2	Regulation of transaction between Clients and Members	Ref. SMD-1/23341 dated November 18, 1993
3	Regulation of transaction between Clients and Brokers	Ref. SMD/SED/CIR/93/23321 dated November 18, 1993
4	Discontinuation of acceptance of cash by Stock Brokers	SEBI/HO/MIRSD/DOP/CIR/P/2018/113 dated July 12, 2018

1.2. Guidelines On Pre-Funded Instruments / Electronic Fund Transfer:

As per SEBI circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016 and circulars referred therein Members are required to comply with the following.

i. If the aggregate value of pre-funded instruments is Rs. 50,000/- or more, per day per client, the stock brokers may accept the instruments only if the same are accompanied by the name of the bank account holder and number of the bank account debited for the purpose, duly certified by the issuing bank. The mode of certification may include the following:

   a. Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.

   b. Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument.

   c. Certified copy of the passbook/bank statement for the account debited to issue the instrument.

   d. Authentication of the bank account-number debited and name of the account holder by the issuing bank on the reverse of the instrument

ii. Maintain an audit trail of the funds received through electronic fund transfers to ensure that the funds are received from their respective clients only.

Members are required to comply with the applicable regulatory requirements in this regard as mentioned above and also such other requirements in this regard that may be made applicable from time to time by the SEBI/the Exchange.

Reference- SEBI Circulars

Sr. No.	**Subject**	**Circular No.**
1	PRE-FUNDED INSTRUMENTS / ELECTRONIC FUND TRANSFER:	CIR/MIRSD/03/2011 dated June 09, 2011

a. Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument.

b. Certified copy of the passbook/bank statement for the account debited to issue the instrument.

c. Authentication of the bank account-number debited and name of the account holder by the issuing bank on the reverse of the instrument

iii. Maintain an audit trail of the funds received through electronic fund transfers to ensure that the funds are received from their respective clients only.

Members are required to comply with the applicable regulatory requirements in this regard as mentioned above and also such other requirements in this regard that may be made applicable from time to time by the SEBI/the Exchange.

Reference- SEBI Circulars

Sr. No.	**Subject**	**Circular No.**
1	PRE-FUNDED INSTRUMENTS / ELECTRONIC FUND TRANSFER:	CIR/MIRSD/03/2011 dated June 09, 2011

7. Non/Short Collection of Margins from Clients/Incorrect Reporting

As per SEBI Circular No. SEBI/HO/CDMRD/DRMP/CIR/P/2016/80 dated September 7, 2016 and SEBI/HO/CDMRD/DRMP/CIR/P/2016/93 dated September 26, 2016 members are required to comply with following:

i. Framework for collection of Margins and reporting of short-collection/non-collection of margins by members from their clients shall be as under:

a) The 'margins' for this purpose shall mean initial margin, extreme loss margin (ELM), mark to market margin, special / additional margin, delivery margin or any other margin as prescribed by the Exchange to be collected by member from their clients.

b) The members are required to collect upfront initial margins and Extreme Loss margin (ELM) from their clients. The members will have time till 'T+2' working days to collect margins (except initial margins and ELM) from their clients. (The clients must ensure that the initial margins and ELM are paid in advance of trade and other margins are paid as soon as margin calls are made by Exchanges/Members. The period of T+2 days has been allowed to members to collect margin from clients taking into account the practical difficulties often faced by them only for the purpose of levy of penalty and it should not be construed that clients have been allowed 2 days to pay margin due from them.)

c) Members shall ensure that the margins collected by them from their clients are highly liquid in nature.

d) While accepting collaterals from their clients, members shall ensure that such collaterals are free from any encumbrance and in sufficiently liquid form, so that the same are readily available for encashment, in the event of client default and may include following:

- Funds/Cash Margin (through cheque/NEFT/RTGS/ECS)
- Bank guarantee favouring the member
- Fixed deposit receipt lien marked in favour of the member
- Liquid Securities in dematerialized form, actively traded on the National Exchanges with appropriate hair-cut
- Units of liquid mutual funds in dematerialized form with appropriate hair-cut
- Exchange Approved commodities with appropriate hair-cut

e) Members shall desist from accepting illiquid collaterals like immovable properties, etc and third party collaterals against the margin requirements of their clients.

f) The members shall report to the Exchange by T + 5 day the actual short-collection/non-collection of all margins from clients.

g) The Exchanges provides a suitable mechanism to enable the members to report the collection of all margins from their clients at the end of each trading day and to report short collection/non-collection of all margins by the T+5 day.

h) All instances of non-reporting shall amount to 100% non-collection of margin and the penalty as prescribed above shall be charged on these instances in respect of non-collection.

i) Exchanges shall examine implementation of these instructions during the inspection of its members. If during inspection or otherwise, incorrect reporting on collection of margin from client by member is found, the member shall be penalized up to 100% of such amount short collected.

j) The members shall monitor trades of every client. Suitable mechanism may be put in place to intimate the clients as and when the margins are used up to an appropriate level as considered fit.

k) It may be noted that Exchange may take such strict action as it may deem fit, including levy of higher fines / deactivation of trading terminals / suspension / etc. in case non-compliance to margin related provisions or if the violation is of repetitive nature.

l) It is clarified that the penalties specified in the circular are for actual short-collection/ non-collection of margins by members from clients and not merely because members have used a different format for reporting or due to technical errors in reporting.

Exchange levies penalty on the reported instances of short collection/ non-collection of client margin on the T+5 reporting due date. In case of any short reporting/ non-reporting of client margin due to any technical reason, members may place their request for revision in the reported margin collections and the consequent reversal/ refund of such penalty in writing to the Exchange strictly within 10 calendar days from the date of levy of penalty.

[Members are also required to collect required margins from respective clients for Option Contracts and report all such margins as per Circular No. MCX/TRD/373/2017 dated October 9, 2017 and requirement as may be applicable from time to time.][28]

[28] Inserted vide MCX Circular No. MCX/TRD/ 373/ 2017 dated October 9, 2017.

Members are required to comply with the applicable regulatory requirements in this regard as mentioned above and also such other requirements in this regard that may be made applicable from time to time by the SEBI/the Exchange.

Reference- SEBI Circulars

Sr. No.	**Subject**	**Circular No.**
1	Mechanism for regular monitoring of and penalty for short-collection/ non-collection of margins	SEBI/HO/CDMRD/DRMP/CIR/P/2016/80 dated September 7, 2016.
2	Commodity Derivatives- Miscellaneous norms	SEBI/HO/CDMRD/DRMP/CIR/P/ 2016/93 dated September 26, 2016.

8. Contract Note & Levy Of Brokerage

Members are required to comply with the following requirements related to issue of contract notes and levy of Brokerage.

i. Issue of Contract Notes:

m) Members are required to deliver contract notes to the clients within 24 hours of the commodity derivatives transactions made by or on behalf of the client and the proof of delivery of the same needs to be preserved by the member.

n) Contract note shall be signed by the member or their Authorised signatory.

o) Contract note shall be serially numbered beginning from one, which shall be reset only at the beginning of the next financial year.

p) The delivery of the contract notes should be at the address of the client. Delivery of contract notes to an address (either email or physical address) other than that of the client shall be deemed to be non-delivery of the contract notes.

q) The proof of the physical delivery of contract note need to be preserved by the member.

r) In case the member has made margin calls to the client and the client has failed to comply with these margin calls, then the contract note issued by member for transactions owing to non-compliance of such margin calls would bear a remark specifying the same.

s) Member shall issue contract notes in the format prescribed by the exchange from time to time.

ii. Electronic Contract Note (ECN)

SEBI vide circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016 titled **Regulatory Framework for Commodity Derivatives Brokers** has made applicable SEBI Circular number SMDRP/Policy/Cir-56/2000 dated Dec 15, 2000, SMD/SE/15/2003/29/04 dated Apr 29, 2003, MRD/DoP/SE/Cir-20/2005 dated Sep 8, 2005, Clause 13 of Annexure A to MIRSD/ SE /Cir-19/2009 dated Dec 3, 2009 with respect to contract notes.

t) Use of Digital Signature on Contract Notes

Brokers are allowed to issue contract notes authenticated by means of digital signatures provided that the broker has obtained digital signature certificate from Certifying Authority under the IT Act, 2000. Mode of confirmation by the client may be as specified in the Uniform Client Registration Form.

u) Issuing ECNs when specifically consented

The digitally signed ECNs may be sent only to those clients who have opted to receive the contract notes in an electronic form, either in the client registration document or by a separate letter/ format specified by the exchange.

The stock broker may issue electron contract note if specifically authorized by the client subject to the following conditions:

I. The authorization shall be in writing and be signed by the client only and not by any authorized person on his behalf or holder of the Power of Attorney.

II. The email id shall not be created by the broker. The client desirous of receiving ECN shall create / provide his own email id to the stock broker.

III. The authorization shall have a clause to the effect that any change in the email-id shall be communicated by the client through a physical letter to the broker. In respect of internet clients, the request for change of email id may be made through the secured access by way of client-specific user id and password.

v) Where to send ECNs

The usual mode of delivery of ECNs to the clients shall be through e-mail. For this purpose, the client shall provide an appropriate e-mail account to the member for receipt of ECNs.

w) Requirement of digital signature

All ECNs sent through the e-mail shall be digitally signed, encrypted, non-tamper able and shall comply with the provisions of IT Act, 2000. In case the ECN is sent through e-mail as an attachment, the attached file shall also be secured with the digital signature, encrypted and non- tamper able.

x) Requirements for acknowledgement

The acknowledgement of the email shall be retained by the member in a soft and non-tamper able form.

y) Proof of delivery

I. The proof of delivery i.e., log report generated by the system at the time of sending the contract notes shall be maintained by the member for the specified period under the extant regulations of SEBI / stock exchanges and shall be made available during inspection, audit, etc.

II. The member shall clearly communicate to the client for this purpose that non-receipt of bounced mail notification by the member shall amount to delivery of the contract note at the e-mail ID of the client.

z) Log Report for rejected or bounced mails

I. The log report shall also provide the details of the contract notes that are not delivered to the client / e-mails rejected or bounced back.

II. Also, the member shall take all possible steps (including settings of mails servers, etc.) to ensure receipt of notification of bounced mails by the member at all times within the time period specified by SEBI / Exchange.

III. Non-Maintenance of the log report is tantamount to non-maintenance of proof of delivery by the Member and the Member shall be levied When to issue or send in Physical form

I. **Issue in Physical mode** - In the case of those clients who do not opt to receive the contract notes in the electronic form, the member shall continue to send contract notes in the physical form to such clients.

II. **Send in Physical mode** - Wherever the ECNs have not been delivered to the client or has been rejected (bouncing of mails) by the e-mail ID of the client, the member shall send a physical contract note to the client within the stipulated time period stipulated by SEBI / Exchange and maintain the proof of delivery of such physical contract notes.

aa) General Requirements:-

I. ECNs through website

In addition to the e-mail communication of the ECNs in the manner stated above, in order to further strengthen the electronic communication channel, the member shall simultaneously publish the ECN on the designated web-site in a secured way and enable relevant access to the clients.

II. Access to the website

In order to enable clients to access the ECNs posted in the designated website in a secured way, the member shall allot a unique user name and password for the purpose, with an option to the client to access the same and save the contract note electronically or take a print out of the same.

bb) Preservation / Archive of electronic documents

The member shall retain / archive such electronic documents as per the extant rules / regulations / circulars / guidelines issued by SEBI / Stock Exchange from time to time.

In the light of various disputes observed in the delivery of contract notes in respect of Commodity derivatives and with a view to reducing the incidences of complaints in respect of non-receipt of contracts, the Members shall take every step necessary to ensure full compliance with the above requirements.

iii. [Members shall be required to issue Contract Note as per Annexure 5 which contains following additional details regarding provisions of GST Laws:

1. State/State Code (Place of supply)
2. GST Identification No. of client (if available)
3. Taxable value of supply (TV)
4. GSTIN of the trading Members.
5. CGST,SGST, IGST and UTT percentage rate applicable as per GST laws
6. Description of Service
7. Accounting code of services

This is a Common Contract Note format and not a Tax Invoice however Members in compliance with the GST laws may issue Contract Note cum Tax Invoice / Bill without compromising with the contents of the Contract Note format by including additional relevant details to their clients.][29]

iv. LEVY OF BROKERAGE

Members of the Exchange are hereby notified that the Exchange may specify the maximum and minimum brokerage rates, which shall be adhered to by the members of the Exchange while dealing with their clients. Such brokerage rates may be commodity specific absolute figure or in terms of percentage on value of a contract irrespective of class of commodity. Such brokerage amount must be shown separately in the contract notes to be issued by the members to their clients.

The maximum brokerage rate shall be 1 % in case of non-delivery transactions and 2 % (plus expenses) in case of transactions resulting into delivery.

[Brokerage on options Contracts

[29] Inserted, vide MCX Circular No. MCX/INSP/174/2017 dated June 09,2017.

Maximum permissible brokerage rate is 2.50% of premium amount or Rs.250/- per lot, whichever is higher.

Further, Members may note that they can charge the Brokerage for Option Contracts only on the premium amount at which the Option Contract was bought or sold and not on the strike price of the Option Contract.][30]

v. Member shall not share brokerage with another member of the exchange or , an employee of another Member of the exchange or with whom members are forbidden to do business under the Rules, Bye-laws and Business Rules of the Exchange or with any Member of other Exchange who is Suspended or Expelled or Declared Defaulter

Members are required to comply with the applicable regulatory requirements in this regard as mentioned above and also such other requirements in this regard that may be made applicable from time to time by the SEBI/the Exchange.

Reference- SEBI Circulars

Sr. No.	Subject	Circular reference
1	Use of Digital Signature on Contract Notes	SMDRP/Policy/Cir-56/2000 dated Dec 15, 2000
2	Issuance of Contract Notes in electronic form	SMD/SE/15/2003/29/04 dated Apr 29, 2003
3	Electronic issuance of contract notes – Additional conditions	MRD/DoP/SE/Cir-20/2005 dated Sep 8, 2005
4	Dealings between a client and a stock broker (trading members included)	Clause 13 of Annexure A to MIRSD/SE/Cir-19/2009 dated Dec 3, 2009

[30] Inserted vide MCX Circular No. MCX/INSP/325/2017 dated September 08, 2017.

9. Settlement of Client Accounts

SEBI vide circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016 titled **Regulatory Framework for Commodity Derivatives Brokers** has made applicable SEBI Circular number MIRSD /Cir/ 01/ 2011 dated May 13, 2011 and Clause 12 of Annexure A to MIRSD/ SE /Cir-19/2009 dated Dec 3, 2009 with respect to Running Account Settlement which states that:

Unless otherwise specifically agreed to by a client, the settlement of funds/securities shall be done within 24 hours of the pay-out. However, a client may specifically authorise the stock broker to maintain a running account subject to the following conditions:

i. The authorization shall be signed by the client only and not by any authorised person on his behalf or any holder of the Power of Attorney.

ii. The authorisation shall be dated and shall contain a clause that the clients may revoke the authorisation at any time. The stock brokers, while sending periodical statement of accounts to the clients, shall mention therein that their running account authorisation would continue until it is revoked by the clients."

iii. For the clients having outstanding obligations on the settlement date, the stock broker may retain the requisite securities/funds towards such obligations and may also retain the funds expected to be required to meet margin obligations for next 5 trading days, calculated in the manner specified by the exchanges.

iv. The actual settlement of funds and securities shall be done by the broker, at least once in a calendar quarter or month, depending on the preference of the client. While settling the account, the broker shall send to the client a 'statement of accounts' containing an extract from the client ledger for funds and an extract from the register of securities displaying all receipts/deliveries of funds/securities. The statement shall also explain the retention of funds/securities and the details of the pledge, if any.

v. The client shall bring any dispute arising from the statement of account or settlement so made to the notice of the broker preferably within 7 working days from the date of receipt of funds/securities or statement, as the case may be.

vi. Such periodic settlement of running account may not be necessary for funds received from the clients towards collaterals/margin in the form of bank guarantee(BG)/Fixed Deposit receipts (FDR).

vii. The stock broker shall transfer the funds / securities lying in the credit of the client within one working day of the request if the same are lying with

him and within three working days from the request if the same are lying with the Clearing Member/Clearing Corporation.

viii. There shall be no inter-client adjustments for the purpose of settlement of the 'running account'.

Further SEBI has issued Circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 inter-alia making following provisions regarding Running Account Settlement which shall be applicable within three months from September 26, 2016 or as may be decided by SEBI/the Exchange from time to time.

ix. There must be a gap of maximum 90/30 days (as per the choice of client viz. Quarterly/Monthly) between two running account settlements.

x. For the purpose of settlement of funds, the mode of transfer of funds shall be by way of electronic funds transfer viz., through National Electronic Funds Transfer (NEFT), Real Time Gross Settlement (RTGS), etc.

xi. The required bank details for initiating electronic fund transfers shall be obtained from new clients and shall be updated for existing clients. Only in cases where electronic payment instructions have failed or have been rejected by the bank, then the stock broker may issue a physical payment instrument.

xii. Statement of accounts containing an extract from client ledger for funds & securities along with a statement explaining the retention of funds/securities shall be sent within five days from the date when the account is considered to be settled.

With a view to do away with the need to transfer small amounts from Members to the clients and to cut down avoidable transactions with the minimum amount prescribed which can be retained by the members, it may be noted that as per existing requirements members may not refund amounts below Rs. 50,000/- to clients for the purpose of settlements.

Members are required to comply with the applicable regulatory requirements in this regard as mentioned above and also such other requirements in this regard that may be made applicable from time to time by the SEBI/the Exchange.

Reference- SEBI Circulars

Sr. No.	**Subject**	**Circular No.**
1	Dealings between a Client and a Stock broker	Clause 12 of Annexure A to MIRSD/ SE /Cir-19/2009 dated Dec 3, 2009
2	Clarification on circular dated December 3, 2009 on 'Dealings between a Client and a Stock broker'	Circular number MIRSD /Cir/ 01/ 2011 dated May 13, 2011

3	Enhanced Supervision of Stock Brokers/Depository Participants	SEBI/HO/MIRSD/MIRSD2/CIR/P/ 2016/95 dated September 26, 2016

10. Internal Audit

SEBI vide circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016 titled **Regulatory Framework for Commodity Derivatives Brokers** has made applicable Para 7 to 11 of SEBI circular no MIRSD/Master Cir- 04/2010 dated March 17, 2010 regarding Internal Audit which states as under, Members are required to comply with the same.

i. The member shall carry out complete internal audit on a half yearly basis by an independent qualified Chartered Accountant, Company Secretary or Cost and Management Accountant who is in practice and does not have any conflict of interest.

ii. The audit shall cover, inter alia,

a. the existence, scope and efficiency of the internal control system,

b. compliance with the provisions of the SEBI Act, 1992, Securities Contracts (Regulation) Act 1956, SEBI (Intermediaries) Regulations, 2008, SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992, circulars issued by SEBI from time to time, Bye Laws and Regulations and circulars issued by the Stock Exchange / Clearing Corporation,

c. data security and insurance in respect of operations, and

d. Efficacy of the investor grievance redressal mechanism and discharge of various obligations towards clients.

iii. The internal auditor shall submit the audit report to the member, who shall place it before its Board of Directors/Proprietor/Partners and shall forward the same along with para-wise comments to the respective stock exchange/clearing corporation within three months from the end of the half year period.

iv. The Stock Exchange/Clearing Corporation shall analyze the audit reports so received and take appropriate follow up action.

v. The Stock Exchange/Clearing Corporation shall initiate appropriate actions – remedial, penal or disciplinary - against the members where deficiencies are noticed in audit reports or where audit report has not been received, and inform the details of action taken to SEBI, within six months from the end of the half year period.

Further, SEBI vide circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 titled **"Enhanced Supervision of Stock Brokers/Depository Participants"** has interalia stated additional requirements in-relation to Internal Auditor which shall become effective as mentioned hereunder.

i. Further to SEBI Circular MIRSD/DPSIII/Cir-26/08 dated August 22, 2008. The following additional requirements in relation to internal auditors shall become applicable:

ii. Appointment and Rotation of Internal auditors

a. Stock Exchanges shall ensure that;

I.1. Stock Broker obtains from the internal auditor the following details and shares the same with the Stock Exchange;

I.2. Declaration stating that the internal auditor or its directors/partners have no interest in or relation with the stock broker concerned other than the proposed internal audit assignment, and

I.3. Details of the internal auditor viz., Name, Address, PAN, Designation of Auditor, Name & Address of the Audit Firm, registration number of the Auditor and the Audit firm, any regulatory action taken against internal auditor/partner/director, if any, etc.

b. No stock broker shall appoint or re-appoint—

I. an individual as internal auditor for more than one term of five consecutive years; and

II. an audit firm as internal auditor for more than two terms of five consecutive years:

Provided that—

c. An individual internal auditor who has completed his term under clause ii (b) (I) above shall not be eligible for re-appointment as internal auditor for the same stock broker for five years from the completion of his term;

d. An audit firm which has completed its term under clause ii. b. II above, shall not be eligible for re-appointment as internal auditor for the same stock broker for five years from the completion of such term; Provided further that as on the date of appointment no audit firm having a common partner or partners to the other audit firm, whose tenure has expired in a stock broker immediately preceding the financial year, shall be appointed as internal auditor for the same stock broker for a period of five years:

e. The block of five years shall start from FY 2016-17.

iii. Formulation of objective sample criteria for Internal Audit

a. The Stock Exchanges shall, in consultation with each other, develop for each theme/area of the internal audit, a pre-defined objective sample criteria, which shall mention not only the sample size but also the method used for arriving at the sample size. For example, with respect to verification of compliance with KYC norms, instead of the current practice of selecting a minimum number of KYCs, the sample selected

may be a certain percentage of the top clients in each client category (Corporate, Partnership, Individual, Trust, Others) based on total turnover on the Stock Exchange and whose account has been opened during the audit period. For each theme/area of audit, internal audit report shall clearly specify the sample size verified, number of instances where adverse observations have been made as also the details of the adverse observations. Stock Exchanges shall issue detailed guidelines regarding the above before March 31, 2017.

iv. Monitoring of quality of Internal Audit Reports

a. The Stock Exchange shall every year identify a certain number of internal auditors based on criteria, such as, number and size of stock brokers audited, discrepancy in findings of auditor vis-a-vis Stock Exchange inspection, regulatory actions taken against the auditor/partners/directors, etc. A certain number of stock brokers who have been audited by these identified internal auditors shall be selected for inspection by the Stock Exchanges. The selection of these stock brokers shall be on the basis of the Supervisory Risk Rating Score derived from the Risk Based Supervisory System. Further, the sample and period of inspection shall be the same as that used for internal audit.

b. In cases where material deviations are observed between the findings of the internal audit report and the Stock Exchange inspection report, the Stock Exchanges shall caution the stock broker to reconsider the appointment of that particular internal auditor. The same shall also be brought to notice of all the stock brokers who are audited by that particular internal auditor. The Stock Exchange shall also bring the deviations to the notice of the internal auditor. The Stock Exchange inspections shall be so planned that at least one client (i..e stock broker) of each internal auditor is covered at least once in five years.

v. [It shall be ensured that the Internal Auditors also monitor the corrective steps taken by the stock brokers to rectify the deficiencies observed in the inspection carried out by SEBI/Stock Exchanges and the compliance thereof. The compliance status shall be made as part of the internal audit report][31]

vi. Submissions of Internal Audit Report

a. Stock Brokers shall ensure that the internal audit reports are submitted to the Exchanges within two months of the end of respective half years for which the audit is being conducted. The due date for submissions shall be as under:

[31] Inserted, vide MCX/INSP/343/2017 dated September 25,2017

S. No.	Period of Audit	Due Date for submission
1.	For half year ending September 30th	November 30th
2.	For half year ending March 31st	May 31st

vii. The above mentioned additional requirements with respect to Internal Audit shall be applicable for half year from April 01, 2017 to September, 30, 2017 and onwards. [Further, Members shall take note of the following:

"Members are required to appoint Internal Auditors and create login ID for the Internal Auditors for submission of the Internal Audit Report.[The internal auditor shall submit electronically the audit report. It shall be noted that no documents are to be submitted in physical form to the Exchange.][32]

The Internal Audit Certificate and Reports has to be digitally signed by Auditors and Members shall incorporate their management comments against each of the Non-Compliances reported and submit the same to the Exchange after signing it digitally.

Auditors are requested to mandatorily adhere to the sample selection guidelines specified in the annexure in the circular and mention the sample size selected along with the details of the instances of Non- Compliance (if any) against each of the checklist points.

In case of Non-Compliance reported, Auditors should give instance wise details of Non- Compliance along with amount and also attach the relevant supporting documents for Non- Compliance. All the workings papers and records with respect to the Audit should be retained by the Auditors for verification by the Exchange as and when required.][33]

Members are required to comply with the applicable regulatory requirements in this regard as mentioned above and also such other requirements in this regard that may be made applicable from time to time by the SEBI/the Exchange.

[32] Inserted vide MCX/INSP/156/2018 dated Apri24,2018
[33] Inserted vide MCX Cicular No. MCX/INSP/392/2017 dated October 23,2017

Reference- SEBI Circulars

Sr. No	Subject	Circular No.
1	Internal Audit	MIRSD/DPSIII/Cir-26/08 dated August 22, 2008
2	Enhanced Supervision of Stock Brokers/Depository Participants	SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016

11. Guidelines for Outsourcing of Activities

SEBI vide circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016 titled **Regulatory Framework for Commodity Derivatives Brokers** has made applicable SEBI circular no CIR/MIRSD/24/2011 dated December 15, 2011, titled "Guidelines for outsourcing of activities by Intermediaries" which states that:

i. SEBI Regulations for various intermediaries require that they shall render at all times high standards of service and exercise due diligence and ensure proper care in their operations.

ii. It has been observed that often the intermediaries resort to outsourcing with a view to reduce costs, and at times, for strategic reasons.

iii. Outsourcing may be defined as the use of one or more than one third party – either within or outside the group - by a registered intermediary to perform the activities associated with services which the intermediary offers.

iv. Principles for Outsourcing

The risks associated with outsourcing may be operational risk, reputational risk, legal risk, country risk, strategic risk, exit-strategy risk, counter party risk, concentration and systemic risk. In order to address the concerns arising from the outsourcing of activities by intermediaries based on the principles advocated by the IOSCO and the experience of Indian markets, SEBI had prepared a concept paper on outsourcing of activities related to services offered by intermediaries.

Based on the feedback received on the discussion paper and also discussion held with various intermediaries, stock exchanges and depositories, the principles for outsourcing by intermediaries have been framed.These principles shall be followed by all intermediaries registered with SEBI.

v. Activities that shall not be Outsource

The intermediaries desirous of outsourcing their activities shall not, however, outsource their core business activities and compliance functions. A few examples of core business activities may be – execution of orders and monitoring of trading activities of clients in case of stock brokers; dematerialisation of securities in case of depository participants; investment related activities in case of mutual funds and portfolio managers. Regarding Know Your Client (KYC) requirements, the intermediaries shall comply with the provisions of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011 and Guidelines issued thereunder from time to time.

vi. Other Obligations

cc) Reporting To Financial Intelligence Unit (FIU) - The intermediaries shall be responsible for reporting of any suspicious transactions / reports to FIU

or any other competent authority in respect of activities carried out by the third parties.

dd) Need for Self-Assessment of existing Outsourcing Arrangements – In view of the changing business activities and complexities of various financial products, intermediaries shall conduct a self-assessment of their existing outsourcing arrangements within a time bound plan, not later than six months from the date of issuance of this circular and bring them in line with the requirements of the guidelines/principles.

Members are required to comply with the above mentioned SEBI guidelines for Outsourcing of Activities by Intermediaries.

Members are required to comply with the applicable regulatory requirements in this regard as mentioned above and also such other requirements in this regard that may be made applicable from time to time by the SEBI/the Exchange.

Reference- SEBI Circulars

Sr. No.	**Subject**	**Circular No.**
1	Guidelines For Outsourcing Of Activities by Intermediaries	CIR/MIRSD/24/2011 dated December 15, 2011

12. Display of Details

1.1. Display Of Details By Members

As per SEBI circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016 Members are required to comply with the following.

i. It has been decided that while a stock broker may use the brand name / logo of its group companies, it must display more prominently:

   a. its name as registered with SEBI, its own logo, if any, its registration number, and its complete address with telephone numbers in its portal /web site, if any, notice / display boards, advertisements, publications, a n d know your client forms.

   b. its name as registered with SEBI, its own logo, if any, its registration number, and its complete address with telephone numbers, the name of the compliance officer, his telephone number and e-mail address in contract notes, statement of funds and securities, and correspondences with the clients.

Members are required to comply with the applicable regulatory requirements in this regard as mentioned above and also such other requirements in this regard that may be made applicable from time to time by the SEBI/the Exchange.

Reference- SEBI Circulars

Sr. No.	Subject	Circular No.
1	DISPLAY OF DETAILS BY STOCK BROKERS	Cir/MIRSD/9/2010 dated November 4, 2010

1.2. Information Regarding Grievance Redressal Mechanism:

As per SEBI circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016 and circulars referred therein Members are required to comply with the following.

i. As an additional measure for information of all investors who deal / invest / transact in the market, it has been decided that offices of all Stock Brokers and its Authorized Person(s) shall prominently display basic information about the grievance redressal mechanism available to investors as mentioned below,

FOR MEMBERS

Dear Investor, In case of any grievance / complaint against the Member

- Please contact Compliance Officer of the Member/ email-id (xxx.@email.com) and Phone No. - 91-XXXXXXXXXX.

- You may also approach CEO/ Partner/Proprietor (Name) / email-id (xxx.@email.com) and Phone No. - 91-XXXXXXXXXX.

- If not satisfied with the response of the Member, you may contact the

  Concerned Stock Exchange at the following

Exchange	Web Address	Contact No	Email-id
MCX	www.mcxindia.com	022-6731-8888	grievance@mcxindia.com

- You can also lodge your grievances with SEBI at http://scores.gov.in . For any queries, Feedback or assistance, please contact SEBI Office on Toll Free Helpline at 1800 22 7575/ 1800 266 7575.

Members are required to comply with the applicable regulatory requirements in this regard as mentioned above and also such other requirements in this regard that may be made applicable from time to time by the SEBI/the Exchange.

Reference- SEBI Circulars

Sr. No.	**Subject**	**Circular No.**
1	INFORMATION REGARDING GRIEVANCE REDRESSAL MECHANISM	CIR/MIRSD/3/2014 dated August 28, 2014

13. Other Compliances

Stamp Duty

Members of the Exchange shall ensure adherence to the Rates and Compliance requirements with respect to payment of stamp duty and pay the stamp duty as per the applicable criteria and rates specified by the respective state government.

Portfolio Management Services

As per SEBI circular number SEBI/HO/CDMRD/DMP/P/CIR/2016/100 dated September 27, 2016 and circulars referred therein interalia stating that, PMS would not be permissible in the Commodity Derivative Market.

Further, Members of the Exchange should refrain from indulging themselves in any activity in the nature of offering assured / guaranteed returns, portfolio advisory services, portfolio management services and such other services to its clients for investment in commodity future contracts either directly or indirectly.

In addition to PMS activities, the following activities will also not be allowed to the Commodity Derivatives brokers:

i. any activity in the nature of promise of assured returns after a certain fixed time period (for example a month, 3 months or 6 months etc.) or assured profits by the member or profit sharing activity

ii. any activity without completing Uniform Client Registration formalities with the client

iii. any activity without presenting client with a Risk Disclosure Document

iv. any activity without proper orders from the client for managing his accounts / executing trade etc.

v. any advertisement / publicity made by the Member highlighting only the benefits of Commodity Derivatives without highlighting the risk involved

vi. any other activity which is ambiguous or misleading the client in any way.

Commodity specific and research oriented advice can be given by the members. Such services may include, technical analysis of price movement, trends, present and future outlook based on technical and fundamental analysis, newsletters dealing with such analysis, etc. in compliance with applicable regulatory requirements of the exchange and SEBI in this regard from time to time. No member can provide any fund based portfolio management or portfolio advisory service.

Members are advised that if they are found indulging in offering services like portfolio management services and others, as aforesaid, will attract strict disciplinary action like suspension from membership and deactivation of

terminals in addition to imposition of deterrent monetary penalty as may be specified from time to time and/deemed appropriate in this regard such Members will also be liable for a penalty of minimum Rs.1 Lakh per case.

Reference- SEBI Circulars

Sr. No.	**Subject**	**Circular No.**
1	PORTFOLIO MANAGEMENT SERVICES	SEBI/HO/CDMRD/DMP/P/CIR/2016/100 dated September 27, 2016

Customer Protection

Members are directed to comply with the following:

i. The members shall execute the trade of clients only after keeping evidence of the client placing such order; it could be, inter alia, in the form of sound recording.

ii. The member shall keep evidence of making the payment to the client on account of the Mark to Market gains made by the clients.

iii. The KYC documents required to be signed by clients shall not contain inequitable, onerous or unreasonable conditions imposed on clients such as:-

(a) Waiver to the member from sending contract notes;

(b) Retaining the MTM (Mark to Market) gains by the Member with himself; and

(c) Any condition which gives the member the freedom to trade on behalf of the client without the explicit and specific order issued by the client.

iv. No member shall execute trades of clients before completing KYC formalities.

BPO / KPO Services - Segregation thereof From Commodity Derivative Markets

As per SEBI circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016, provisions of Rule 8(1)(f) and 8(3)(f) of Securities Contracts (Regulation) Rules, 1957 and SEBI Circular number SMD/Policy/Cir-6/97 dated May 07, 1997 are made applicable with respect to BPO / KPO services - segregation thereof from commodity derivative markets.

Rule 8(1)(f) of Securities Contracts (Regulation) Rules, 1957 interalia states that,

No person shall be eligible to be elected as a member if –

i. He is engaged as a principal or employee in any business other than that of commodity derivatives except as a broker or agent not involving any personal financial liability unless he undertakes on admission to server his connection with such business:

Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957 interalia states that,

No person who is a member at the time of application for recognition or subsequently admitted as a member shall continue as such if –

i. he engages either as principal or employee in any business other than that of commodity derivatives except as a broker or agent not involving any personal financial liability.

In view of the above members have to segregate BPO / KPO services from commodity derivative markets. Members are requested to comply with the provisions of Rule 8(1)(f) and 8(3)(f) of Securities Contracts (Regulation) Rules, 1957.

Sr. No.	Reference
1	Rule 8(1)(f) and 8(3)(f) of Securities Contracts (Regulation) Rules, 1957
2	SMD/Policy/Cir-6/97 dated May 07, 1997

Logo Of MCX

Members are requested to comply with the following :

Members are not permitted to use the below mentioned Exchange Logo in any manner whatsoever.

In addition to the above Exchange logo, Members are not allowed to use any other Logo which the Exchange may prescribe from time to time.

Books of Accounts and other Records

Member shall maintain properly and preserve following Books of Accounts and other records /Registers for a period as may be prescribed by Exchange or SEBI from time to time.

Records of transaction of all purchases and sales of commodities / contracts, Record in respect of premium / discount, Records in respect of brokerage, Client Ledger, General Ledger, Journals, Cash Book, Bank Book & Bank pass Book / Bank statement, Margin Deposit Book/ Records of margin, Record of all statements received from the appropriate agencies and records of all correspondence with them, Reports like trade log / order log, Duplicate copies of the contract notes issued, Proof of dispatch & receipt/delivery of contract notes, Record of Deliveries Received / Tendered Contract wise, Periodic bank reconciliation statement, Register of complaints / grievances, ECN log report, Client registration documents.

[Members' attention is also drawn to SEBI Circulars no. CIR/MIRSD/2/2015 dated August 26, 2015 on Implementation of Multilateral Competent Authority

Agreement and Foreign Account Tax Compliance Act and Circular no. CIR/MIRSD/3/2015 dated September 10, 2015 on Reporting Requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)-Guidance Note. Members are advised to note the contents of aforementioned SEBI Circulars and ensure necessary compliance of applicable regulatory requirements mentioned therein, including registration and reporting][34]

[FATF Statements

As part of the on-going efforts to identify and work with jurisdictions with strategic AML/CFT deficiencies, the FATF plenary releases fresh Statements titled 'Public Statement' and 'Improving Global AML/CFT compliance: on-going process', from time to time which is available in Public domain (FATF Webpage: http://www.fatf-gafi.org). Members are requested to take note of the same and are advised that this does not preclude regulated entities from legitimate trade and business transactions with these countries and jurisdictions.][35]

[Aadhaar Number of Clients

Members are requested to take note of the amendments to the Prevention of Money-laundering (Maintenance of Records) Rule, 2005 and comply with the same;

Further to the existing requirements for client registrations and Prevention of Money-laundering (Maintenance of Records) Rules, 2005, following requirements as mentioned in the notification are as under;

• Where the client is an individual, who is eligible to be enrolled for an Aadhaar number, he shall submit to the reporting entity the Aadhaar number issued by the Unique Identification Authority of India;

• Where the client is a company/Partnership firm/trust/ unincorporated association or body of individuals, they shall submit to the reporting entity certified copies of Aadhaar Numbers; Issued to managers, officers or employees in case of company and the person in case of partnership firm/trust/unincorporated association or a body of individuals holding an attorney to transact on behalf of the client entity.

• Any reporting entity, at the time of receipt of the Aadhaar number under provisions of this rule, shall carry out authentication using either e-KYC authentication facility or Yes/No authentication facility provided by Unique Identification Authority of India.

Members are required to comply with Permanent Account Number or Form 60 as defined in the Income –tax Rules 1962 where the client is a company/Partnership firm/trust/ unincorporated association or body of individuals.

• In case the client fails to submit the Aadhaar number within the time limits prescribed

[34] Inserted, Supra note 7.

[35] Inserted vide MCX Circular Nos. MCX/INSP/250/2017 dated July 25,2017 & MCX/INSP/438/2017 dated November 23, 2017

by the Exchange/SEBI from time to time , the said account shall cease to be operational till the time Aadhaar number is submitted by the client.

• In case the identity information relating to the Aadhaar number submitted by the client does not have current address of the client, the client shall submit an officially valid document to the reporting entity.

All the Members shall comply with the relevant provisions of Prevention of Money-laundering (Maintenance of Records) Rules, 2005 and amendments thereto as may be applicable from time to time in totality.][36]

Members are required to comply with the applicable regulatory requirements in this regard as mentioned above.

[36] Inserted, vide MCX Circular No. MCX/ INSP/ 299/ 2017 dated August 23, 2017.

14. Indicative Penalties

Members of the Exchange may note that apart from other applicable penalties, following is the list of indicative common violations and the applicable penalties / fines. It may be noted that the penalties are indicative in nature and could undergo change in specific cases depending on frequency and gravity of the violations.

Actions in respect of violations having high impact would be dealt on case to case basis depending on seriousness, quantum and gravity of such violations

Members are advised to take note of the same and put in place systems and procedures so as to ensure adherence to the compliance requirements applicable from time to time.

For the violations observed during inspections or otherwise, appropriate disciplinary actions shall be initiated as per Rules, Bye-Laws and Circulars of the Exchange applicable from time to time.

i) [For the violations occurred prior to November 1,2017, penalties are levied / actions are initiated as per Exchange circular number MCX/INSP/325/2016 dated September 29, 2016 which is reproduced below:][37]

[37] Inserted vide MCX Circular No. MCX/ INSP/ 325/ 2016 dated September 29, 2016.

Subject	List of Violations	Applicable penalty / fines
Books Of Accounts, Records, Register	**I** Non-Maintenance of following Books of Accounts / Records / Registers: (a)) Sauda Book (b) Client Ledger (c)) General Ledger (d) Journals (e)) Cash Book (f) Bank Pass Book	Minimum of Rs. 25,000/- and Maximum of Rs. 50,000/- per register or / and deactivation of trading terminals till compliance is done.
	II Non-Maintenance of following Books of Accounts / Records / Registers properly: (a)) Sauda Book (b) Client Ledger (c)) General Ledger (d) Journals (e)) Cash Book (f) Bank Pass Book	Minimum of Rs. 10,000/- and Maximum of Rs. 25,000/- per register.
	Books of Accounts other than above not maintained	Rs. 5,000/-
	Books of Accounts other than above not maintained properly	Rs. 2,500/-
	Books of Accounts not maintained for Branch / Authorised Person	Rs. 2500/- Per Office
	Books of Accounts not maintained properly for Branch / Authorised Person	Rs. 1500/- Per Office
	Segregation of Exchange wise client ledgers not maintained	Rs. 5000/- Per Office
	Non-maintenance of vouchers (entries being directly posted to ledgers)	One or Few Instances : Advice Multiple Instances : Warning

	Non-maintenance of up to date bank reconciliation statements	One or Few Instances : Advice Multiple Instances : Warning

Subject	List of Violations	Applicable penalty / fines
Registers and Documents	Non-maintenance of registers (Register of Commodities / Register of Margin Deposit)	If both the registers are not maintained, Rs. 5000/- is levied, For 1 register, it is Rs. 1000/-
	Non-availability of prescribed information in Register of Commodities/ Register of Complaints / Register of Margin Deposit	One or Few Instances : Advice Multiple Instances : Warning
	Non-maintenance of Trading (TWS)reports	One or Few Instances : Advice Multiple Instances : Rs. 1000/-
	Non-obtainment of board resolution permitting trading in derivatives, from non- individual constituents	One or Few Instances : Advice Multiple Instances : Rs 500/- Per default (maximum of Rs.5000/-)
Banking Operations	Non maintenance of Client a/c	One or Few Instances : Rs 10,000/- Multiple Instances : Rs 15,000/-
	Use of Client bank account for purposes other than specified	One or Few Instances : Warning Multiple Instances : Rs 5000/-
Dealings with Clients	Commodities due to one transferred to other clients	One or Few Instances : 2500/- Multiple Instances : Rs 5000/-
	Quarterly statement of accounts for settlements and margins not sent to	One or Few Instances : 2500/-

Subject	List of Violations	Applicable penalty/ fines
	Partial compliance for issue of statement of accounts for funds and commodities	Multiple Instances : Rs 5000/-
Dealings with intermediaries	Sharing of brokerage with -another member -an employee of another member or a person for or with whom members are forbidden to do business	One or Few Instances : 2500/- Multiple Instances : Rs 5000/-
	-Persons who are not approved user Dealing with unregistered intermediaries	One or Few Instances : 2500/- Multiple Instances : Rs 5000/-
	Brokerage charged at a rate higher than the permissible maximum limit	One or Few Instances : 2500/- Multiple Instances : Rs 5000/-
	Doing business with or for the trading members who are prohibited transact, suspended/expelled/defaulter member; defaulting constituents employees of other trading members	One or Few Instances : 2500/- Multiple Instances : Rs. 5000/-
MCA & KYC Norms	KYC formalities – not Forms /and not maintained mainta	Rs. 10,000/- per client.
	(a) Non-execution of member-client agreement	Rs. 10,000/- per client.
	(b) Discrepancies / deviation from the prescribed member-client agreement, if such discrepancies/ deviations are detrimental to clients Risk Disclosure Document not issued to clients/incomplete	Rs. 5,000/ - per client.

Subject	List of Violations	Applicable penalty / fines
Clients Related	Non-segregation of clients money	Rs. 25,000/- or 1% on the non -segregated client money, whichever is higher.
	Use of clients funds for own purpose/ for other clients.	Rs. 50,000/ - or 1% per month of the money utilized, whichever is higher.
	Delay in Payment of Funds to Clients Account/Delay in transfer of Commodities to Clients	Rs. 5,000/- - Rs. 25,000/ - per instance.
	Delay in Payment of Funds to Clients / Delay in transfer of Commodities to Clients beyond 15 days from the date of receipt of request from Clients	Rs. 50,000/- or 1% of the value of the amounts / commodities, per instance
	More than one ID to a client	Rs. 10,000/ - per ID
	Non-maintenance of client code/non mapping of trading code	Rs. 10,000/ - per client
	Contract Note – non-issued	Rs. 10,000/ - per client
	Belated issue/no proof of receipt of contract note.	Rs. 5,000/- per client
	Non-maintenance of duplicate copies of contract note sent	Rs. 5,000/- per client
	Non-maintenance of Grievance/Complaints Register	Rs. 10,000/ - per Register per office
	Margin Collection: Non collection / partial collection upto the period September 6, 2016.	0.1% of the margin not collected.
	Adopting procedure (like use of pro-code for client trade) to evade margin	0.5% per day of the margin money evaded or Rs. 5,000/- per day, whichever is higher
	Net worth certificate – non- production/improper	Rs. 200/- per day.

Subject	List of Violations	Applicable penalty/ fines
	Non-display of Information Board including details of Registration details as prescribed by the Exchange.	Rs. 10,000/ - per office.
	Unauthorized or Illegal Trading activities / Fictitious Transactions	Minimum of Rs. 1 lakh per case and Max. Rs. 5 lakh. Offences like wash trades will be investigated by the exchange and other penalty provisions such as termination / suspension of members will be imposed.
	Violation of the Advertisement Code of the Exchange	Rs. 5,000/- per instance
	Trading (TWS/CTCL) terminals provided to intermediaries or unauthorized extension of trading net work / non submission of required details of CTCL terminals to the Exchange	First Instance – Rs. 25,000/- per terminal. Repeated Instances – Rs. 50,000/- per terminal and / or deactivation of trading terminals till the compliance is made.

Subject	List of Violations	Applicable penalty/ fines
	Non-payment of statutory dues/duties/fees etc.	Appropriate action by the Exchange. However, such additional action by the Exchange will in no way interfere with the penal provisions in the respective acts.
Contract Notes	Issue of contract notes otherwise than in the prescribed format/issue of contract notes without the signature of authorized signatory or which do not bear a running serial number or bear a serial number which is not initiated at the beginning of each financial year	One or Few Instances : Rs 2500/- Multiple Instances : Rs 5000/-
	Difference in trade rate as per the TWS system and the rate charged	Excess amount to be returned to the client and fine equal to twice the excess amount charged or Rs. 25,000/-, whichever is higher, to be levied on the member.
Portfolio Management Services (PMS)	Member indulged in offering portfolio management services or any services or any service in the nature of portfolio management services directly or indirectly	Deactivation of terminals, suspension/termination from membership and in addition a penalty of Minimum ₹. 1 lakh per case

Subject	List of Violations	Applicable penalty/ fines
Periodic Settlement of Accounts of Clients by the Members	Member has not done periodic settlement of client accounts by the members	₹. 5,000/- per client per settlement period
Modification of Client Codes	Modification/Transfer of trades otherwise than on the Exchange trading platform or for purposes other than Permitted	In excess of 5% of value (turnover), Penalty of 2% of value (turnover) modified, otherwise a fine of 1% of value (turnover) modified
Incorrect reporting of short collection/no n-collection of Margins	Member has falsely reported margin collection to the Exchange	If during inspection or otherwise, incorrect reporting of margin collected from client by member is found, the member shall be penalized up to 100% of such amount incorrectly reported and other disciplinary actions.
	Shareholding pattern not verifiable due to incomplete / absence of records	Rs 5000/-
	Any change in the shareholding pattern / profit sharing ratio without the prior approval of the Exchange involving dilution not below the minimum prescribed shareholding of the dominant promoter group	Rs 10000/-

Subject	List of Violations	Applicable penalty/ fines
Membership Requirements	Any other change in the shareholding pattern / profit sharing ratio of the Trading Member without the approval of the Exchange	Rs 2500/-
	Change in the shareholding pattern without the approval of the Exchange which has resulted in the dilution of the shareholding / profit sharing ratio of the dominant group below 51%	One or Few Instances : Rs 25,000/- Multiple Instances : Rs 50,000/-
	Member acting through or on behalf of another member for trading on the Exchange without the prior approval of the Exchange in writing	One or Few Instances : Rs. 2500/- per instance Multiple Instances :
	Dealing with one member of another exchange for proprietary trading without intimating the name of such member to MCX	One or Few Instances : Rs. 2500/- per instance Multiple Instances: Rs.5,000/- per instance.
	Dealing with more than one member / Authorised Person # of another exchange for proprietary trading	One or Few Instances : Rs. 2500/- per instance Multiple Instances : Rs.5,000/- per instance.

Subject	List of Violations	Applicable penalty/ fines
	Dealing with a member of another exchange on behalf of constituents without necessary registration	One or Few Instances : Rs. 2500/- per instance Multiple Instances : Rs.5,000/- per instance.
	Non-compliance of Networth requirements as per the exchange.	One or Few Instances : Rs. 1000/- per instance Multiple Instances : Rs.5,000/- per instance.
	Non completion of MCCP certification Examination	Rs.1000/-

Subject	List of Violations	Applicable penalty/ fines
Office Management	Usage and operation of a trading terminal by a person (an employee of the trading member) other than an approved user	First time advice then 250/- per trading terminal. (Maximum of Rs.2500)
	Trading terminals provided to unregistered intermediaries or unauthorised extension of trading network / non submission of required details of terminals to the Exchange Terminals for which information has been uploaded but with minor errors	For each unauthorised / non-approved USER ID, a fine of Rs 1000/- per USER ID be levied for the first five USER ID's and the fine amount be stepped up by Rs 5000/- per USER ID in successive batches of five terminals each thereafter.
	Non-display of SEBI/MCX Registration certificate	Advice
	Non-appointment of compliance officer	Rs 1000/-
	Non- submission/delayed submission of Annual compliance report on or before the due date	Rs 100/- per day shall be levied till the date of submission
Dealing in Cash transactions	Non-Compliance of the provisions of Cash Dealings	0.5% of the total value of cash transactions

[ii) Further, as per the Exchange circular MCX/INSP/400/2017 dated October 30,2017 members are informed that the revised penalties/disciplinary action(s) as mentioned herein below in Annexure A are applicable from November 01, 2017 and further (new set of indicative penalties) the penalties/disciplinary action(s) as mentioned herein below in Annexure B are applicable from January 01, 2018

Annexure A

[Part I (a) - PENALTIES / DISCIPLINARY ACTIONS FOR VIOLATIONS WITH FINANCIAL IMPLICATIONS

Sr. No.	Violations	Applicable Penalty/disciplinary action
1	Actual settlement of funds or securities/commodities not done on monthly / quarterly basis as specified by the client (Applicable where number of clients are more than 10 and non-compliance are more than 50% of sample instances)	More than 50% of instances: Rs.2,00,000/-, Direction to settle all clients and submit Internal Auditor certificate on compliance status for next 4 quarters. In case of repeat violation the amount of penalty applicable be escalated by 100% (Violation at equal to or below 50% has been considered in Procedural violations)
2	Use of client funds & securities/commodities for other than specified purposes/Use of client funds & securities/commodities for own purpose/for other clients	Rs. 1,00,000/- or 1% of the amount involved whichever is higher
3	Bank and demat account operations : Pay in / payout not received from / delivered to respective clients / Inter-client adjustment done for the purpose of settlement of accounts	a) Non-compliance up to Rs.5 lakh- Warning b) In excess of Rs.5 lakhs and up to Rs. 20 Lakhs- Rs. 1 lakh c) More than Rs. 20 lakhs- Rs. 2 lakhs

4	Modification/Transfer of trades otherwise than on the Exchange trading platform or for purposes other than permitted	In excess of 5% of value (turnover) - Penalty of 2% of value (turnover) modified, otherwise a fine of 1% of value (turnover) modified
5	Trades in the error account are subsequently shifted to some other client code	In excess of 5% of value (turnover) - Penalty of 2% of value (turnover) modified, otherwise a fine of 1% of value (turnover) modified
6	Transfer of trades otherwise than for genuine purpose	0.1% of value of trades modified for other than genuine purpose (over and above SEBI stipulated penalty for online modification)
7	Evasion of margin	Margin evasion up to Rs. 1 Lakh- The amount of evasion. Margin evasion exceeding Rs. 1 Lakh - Rs. 1 lakh or 0.3% of the value of trades whichever is higher
8	a) Unauthorized trading determined by IGRP / Arbitration when there is no appeal Unauthorized or Illegal trading activities / fictitious transactions	a) Monetary fine of Rs. 1 lakh; b) 50% escalation in case of 3 cases of unauthorized trading in the same FY

9	Submission of information for inspection a) Non co-operation in providing data/records/documents to inspecting officials for inspection resulting in non-completion of inspection. b) Delay in submission of documents/data/records sought for inspection Material wrong/incorrect submission of data towards Inspection	a) Monetary penalty of Rs. 1 lakh besides not allowing member to trade till the time of completion of inspection/Surrender/cessation of membership/ Declaration as default/ Expulsion. b) Rs.1,000/- per day starting from final due date for submission of data/records/documents sought for inspection. c) Penalty may vary from warning to Rs.1 lakh on case to case basis. (The serious case shall be discussed separately in DAC, The Exchange may enhance the penalty as deemed fit)

Incremental Penalties Structure

In case any violation is observed to be repeated compared to last inspection conducted, the following escalation of penalty would be made applicable.	
Applicable Penalty	Penalty for repeat violations
Monetary Penalty	Increase penalty amount by 50% (if not specifically stated)
Relevant Authority may consider following actions, as it deems fit, for repeated/serious violations: i. In addition to incremental penalty, Disablement of proprietary trading ii. Disallowing registration of new clients for a specific period of time iii. Disablement of trading terminal	

Annexure A

Part I (b) - PENALTIES / DISCIPLINARY ACTIONS FOR PROCEDURAL VIOLATIONS

Sr. No.	Violations	Applicable Penalty/disciplinary action
1	Actual settlement of funds or securities/commodities not done on monthly / quarterly basis as specified by the client (Applicable where : a) Less than or equal to 50% of sample instances, or b) Less than or equal to 10 clients and more than 50% sample instances)	a) In excess of 2% and upto 5% of number of instances - Rs 15,000/- b) In excess of 5% and upto 10% of number of instances - Rs 45,000/- c) In excess of 10% of number of instances - Rs 75,000/- d) Otherwise: Advice
2	Cash dealings with clients/other entities	0.1% of the aggregate value in excess of Rs. 50,000/-
3	Client Registration	
	a) Non execution of client registration documents	Rs. 15,000/- per client
	b) Client registration documents Not provided/ Not made available to the Exchange	Rs. 15,000/- per client
	c) Inclusion of contravening clauses/omission of material details	Violation for critical clauses – Rs. Other procedural clauses – Rs.
	d) Material Discrepancies (viz. Photograph not provided, No signature, No Pan Card details, No Proof of Address/Identity provided) in Client registration documents	Rs. 10,000/- per client Otherwise: Advice
	e) In-person verification of clients not carried out	Rs. 1,000/- per client

Sr. No.	Violations	Applicable Penalty/disciplinary action
4	Bank and demat account operations: Separate clients bank or demat account not maintained (as applicable)	Rs. 1 Lakh and direction to open separate account within 1 month
5	Excess STT/CTT charges recovered from the clients	a) If amount involved is upto Rs.10,000 - TM to be directed to refund to clients/remit to relevant authorities and fine equal to Rs.25,000 and b) if amount involved is more than Rs.10,000 - Rs. 1 Lakh Penalty + refund to clients/remit to relevant authorities
6	Non-issue of Contract Notes	Rs. 10,000/- per client
7	Dealing with unregistered intermediaries	Rs. 1,00,000/- per unregistered intermediary/location; Also Member to be directed to stop all dealings with/from such unregistered intermediaries/locations and to withdraw the terminal(s), if any, allotted to such entities immediately. In addition to monetary penalty, suspension of the trading membership may also be considered, depending upon the gravity of the violation, in case where dealings with/from more than 5 unregistered intermediaries/ locations are observed.

8	Unauthorized extension of TWS/ Non-upload of CTCL terminals to the Exchange / Location of terminal at a place other than main / branch office and the location of the offices of registered authorized persons of the member not uploaded to Exchange	Rs. 1 Lakh per location In cases where non-upload of details of more than five CTCL terminals are observed and such CTCL terminals are also observed to be operated by entities acting as unregistered intermediaries and / or such terminals are observed to be used for carrying out illegal trading activity, suspension of the trading membership may also be considered depending upon the gravity of the violation
9	Non-maintenance of a) Client ledger Register of Securities (Client wise scrip wise Register) (as applicable)	Rs. 1 Lakh + Direction to comply
10	Client ledger not maintained properly (i.e. incomplete/ erroneous/ delay in entries)	Rs.25,000/-
11	Register of Securities not in the prescribed format (as applicable)	Rs.25,000/-

12	Discrepancies / Incorrect details in Register of Securities, non-reconciliation of balances between client beneficiary accounts and register of securities (as applicable)	Rs.25,000/-
13	Non segregation of transactions between client and own bank accounts (Client money deposited in own account or expenses routed through Client Bank Account or own money deposited in client account) Non segregation of client and own money	a) In excess of 2% and upto 5% of no. of instances – Rs.25,000/- b) In excess of 5% and upto 10% of no. of instances – Rs.50,000/- c) In excess of 10% of no. of instances – Rs.75,000/- Otherwise – Advice
14	Facilitating financing to clients through NBFC in contravention of SEBI Circular	Rs. 5 Lakhs
15	Excess brokerage /Transaction Charges recovered from the clients/ Levy of charges other than statutory / regulatory dues in contract notes	Amount of excess charges or Rs. 1 lakh whichever is less + refund to clients

16	Delay in release of payout of funds or securities (beyond one working day) or commodities	a) up to 5% of no. of instances – Rs. 15,000/- b) In excess of 5% and upto 10% of no. of instances - Rs 45,000/- c) In excess of 10% and upto 20% of no. of instances - Rs 75,000/- d) In excess of 20% of no. of instances – Rs. 1,00,000/-
17	Quarterly/ Monthly Statement of accounts for funds or securities/commodities not sent / Not sent at the time of settlement of accounts, non-issue of transaction statement displaying all receipt and payment of funds / inward and outward movement of securities/commodities while settling the account along with statement explaining retention of funds or securities/commodities, if any/ Client preference for monthly / quarterly settlement not obtained (as applicable)	a) In excess of 2% and upto 10% of no. of instances – Rs.20,000/- b) In excess of 10% and upto 40% of no. of instances – Rs.60,000/- c) In excess of 40% of no. of instances – Rs.1,00,000/- d) Otherwise - Advice
18	Funding to clients (as defined in the Enhanced Supervision circular)	a) Where non-compliance is observed in more than 5% instances or amount exceeds Rs.1 crore - Rs.50,000/- b) Where non-compliance is upto 5% and amount is upto Rs.1 crore- Advice

Sr. No.	Violations	Applicable Penalty/disciplinary action
15	Excess brokerage /Transaction Charges recovered from the clients/ Levy of charges other than statutory / regulatory dues in contract notes	Amount of excess charges or Rs. 1 lakh whichever is less + refund to clients
16	Delay in release of payout of funds or securities (beyond one working day) or commodities	e) up to 5% of no. of instances – Rs. 15,000/- f) In excess of 5% and upto 10% of no. of instances - Rs 45,000/- g) In excess of 10% and upto 20% of no. of instances - Rs 75,000/-
17	Quarterly/ Monthly Statement of accounts for funds or securities/commodities not sent / Not sent at the time of settlement of accounts, non-issue of transaction statement displaying all receipt and payment of funds / inward and outward movement of securities/commodities while settling the account along with statement explaining retention of funds or securities/commodities, if any/ Client preference for monthly / quarterly settlement not obtained (as applicable)	d) In excess of 2% and upto 10% of no. of instances – Rs.20,000/- e) In excess of 10% and upto 40% of no. of instances – Rs.60,000/- f) In excess of 40% of no. of instances – Rs.1,00,000/- g) Otherwise - Advice
18	Funding to clients (as defined in the Enhanced Supervision circular)	c) Where non-compliance is observed in more than 5% instances or amount exceeds Rs.1 crore - Rs.50,000/- d) Where non-compliance is upto 5% and amount is upto Rs.1 crore- Advice

Sr. No.	Violations	Applicable Penalty/disciplinary action
19	Contract Notes Issued with material discrepancies/ Duplicate copies or proof of dispatch of contract notes not maintained/ Consent of client not obtained for sending ECN / Not issued within 24 hours of transaction execution/ Not signed by authorized signatory	a) In excess of 2% and up to 5% of no. of instances – Rs.15,000/- b) In excess of 5% and up to 10% of no. of instances – Rs.45,000/- c) In excess of 10% and upto 20% of no. of instances – Rs.75,000/-
20	a) ECN Log report not maintained in case of bounced back mails, ECN's sent to Email accounts other than those created / provided by clients, authorization for receiving ECN is not signed by the client but by the POA holder, e-mail ID for receiving ECN not created / provided by client/Consent of client not obtained for sending ECN	a) In excess of 2% and up to 5% of no. of instances – Rs.15,000/- b) In excess of 5% and up to 10% of no. of instances – Rs.45,000/- c) In excess of 10% and upto 20% of no. of instances – Rs.75,000/-
	b) Generation of email IDs for clients by member	Rs. 15,000/- per client
	c) Non display of ECN on website	Advice

Sr. No.	Violations	Applicable Penalty/disciplinary action
21	(a) Trading member has not uploaded mobile number/ email address for clients for receiving alerts / Trade details (b) Same email id / mobile number is uploaded for multiple clients (Not applicable for family members of clients. 'Family' for this purpose would mean self, spouse, dependent children and dependent parents)	Rs. 1,000/- per client
22	Inspection of APs/ branches not done / Inspection report of APs & branches not made available to the inspecting team (as applicable)	Rs. 50,000/-
23	Minor Errors like difference in User details / Status of terminals in upload of CTCL/Trading terminal details / Upload of CTCL Terminal details with incorrect terminal location (Non-Trading ids to be excluded while levying fine)	Upto 5 trading terminals- Rs. 1,000 per terminal More than 5 trading terminals- Rs. 5,000 per terminal
24	Operation of terminals by persons other than the approved user / person as per Exchange records	Rs 1,500/- per terminal
25	Non-appointment of compliance officer	Rs. 50,000/-
26	Not following the advertisement code of the Exchange	Rs. 50,000/-
27	Segregation of Exchange wise client ledgers not maintained	Rs. 50,000/-
28	Incorrect submission of RBS (as applicable)	Penalty may vary from Rs.3,000 to Rs.10,000 on case to case basis

Sr. No.	Violations	Applicable Penalty/disciplinary action
29	Delayed/non-payment of dividend	Non-payment of dividend – 2 times the amount of dividend not paid Delay in payment - a) Upto Rs. 1 lakh- Warning b) In excess of Rs. 1 lakh and upto Rs. 5 lakhs- 1% of the amount involved c) Above Rs. 5 lakhs - 2% of the amount involved
30	Books (Except Client ledger) not maintained including: i) General Ledgers , ii)) Journals, iii) Cash and Bank Book, iv) Margin Deposit details, v) Dividend Records, and vi)) Brokerage Records vii) Register of complaints viii) Register of transaction ix) Register of account of AP x) Register of Commodity(as applicable)	Rs. 25,000/- per book

Incremental Penalties Structure

In case any violation is observed to be repeated compared to last inspection conducted, the following escalation of penalty would be made applicable:	
Applicable Penalty	Penalty for repeat violations
Advice	Warning
Warning	Rs. 5,000/-
Monetary Penalty	Increase penalty amount by 50%

Annexure A

[Part I (c) - PENALTIES / DISCIPLINARY ACTIONS FOR OTHER PROCEDURAL VIOLATIONS

Sr. No.	Violations	Applicable Penalty/disciplinary action
1	Copy of client registration documents not delivered/ Client Code and mail id not communicated in writing/ policies & procedures not communicated to clients / RDD/Do's and Don'ts's/Rights and Obligations not issued to clients/issued but incomplete (as applicable)	a) In excess of 2% and upto 5% of no. of instances - Rs 15,000/- b) In excess of 5% and upto 10% of no. of instances - Rs 45,000/- c) In excess of 10% of no. of instances - Rs 75,000/-
2	Not uploaded KYC information to KRA/CKYC within prescribed time frame	Rs.5,000/- for more than 20% of instances Otherwise - Advice
3	Delay in uploading KYC information to KRA / other procedural observations related to KRA process	Rs.3,000/- for more than 20% of instances otherwise advice
4	Incomplete / Non- display of details by member viz: Notice Board/name, its logo, registration no, address with telephone no, compliance officer name, telephone no, email id, SEBI Registration certificate/ AP Registration certificate and other prescribed	Rs. 10,000/-

Sr. No.	Violations	Applicable Penalty/disciplinary action
5	Electronic transfers from clients not as per specified guidelines/Supporting documents/audit trail for pre-funded instruments not maintained (as applicable)	a) In excess of 2% and upto 5% of no. of instances – Rs.15,000/- b) In excess of 5% and upto 10% of number of instances – Rs.45,000/- c) In excess of 10% of no. of instances - Rs 75,000/-
6	Running account authorization taken by trading member from client is not dated and does not contain a clause that the client may revoke the authorization any time/ Running account authorization not signed by client but by POA holder / Other discrepancies in running account authorization from clients	Upto 5 instances: Advice More than 5 instances Rs.10,000/-
7	Daily Margin statement not sent	a) In excess of 2% and upto 5% of no. of instances - Rs 15,000/- b) In excess of 5% and upto 10% of no. of instances - Rs 45,000/- c) In excess of 10% of no. of instances - Rs 75,000/- d) Otherwise – Advice
8	Non-disclosure of trading on own account to clients	Warning

Sr. No.	Violations	Applicable Penalty/disciplinary action
9	Exclusive e-mail id for investors' complaints not created or not displayed	Rs. 10,000/- if email ID not created Rs. 5,000/- if email ID not displayed
10	Trading member has outsourced activities in violation of SEBI prescribed rules	To be decided on a case to case basis based on nature of non- compliances
11	Doing business for / through other TMs or APs of other TMs of the Exchange without prior approval of the Exchange	Rs. 15,000/-
	With brokers / sub-brokers/ AP of other Exchanges without intimation	Advice
12	Non-upload of non-trading id's (Id's that cannot be used for trading)	Advice
13	Allowing trading terminals to be operated where MCCP certificate has expired (as applicable)	Rs. 1,500/- per terminal
14	Execution of trades on own account from locations other than those permitted by the Exchange	Rs. 15,000/-
15	Non-compliance with PMLA requirements	
	(a) Non maintenance of Written Policy and Procedures relating to PMLA	Rs. 15,000/-
	(b) Non Appointment of Principal Officer /Designated Director/ Non Intimation of Designated Director or change of Principal officer to FIU Delhi	Rs. 15,000/-

Sr. No.	Violations	Applicable Penalty/disciplinary action
	(c) Non-Implementation of systems in place to monitor, identify suspicious transaction and procedures for reporting the same	Rs. 15,000/-
	(d) Non Adoption of customer due diligence	Rs. 10,000/- per client
	(e) Financial information of clients not obtained / updated / documentary evidence related to financial information not obtained in case of clients trading in derivatives segment	Rs. 10,000/- per client
	(f) Non Maintenance of records regarding ongoing training to staff relating to PMLA	Advice
	(g) Disproportionate Exposure	Upto Rs.2,00,000/-
	(h) Any other observation /violation which is required as per PMLA and not covered above	Advice
16	Books (Except Client ledger) not maintained properly (i.e. incomplete/ erroneous/ delay in entries) including: i) General Ledgers, ii)) Journals, iii) Cash and Bank Book, iv) Margin Deposit details, v) Dividend Records, and vi) Brokerage Records vii) Register of complaints viii) Register of transaction ix) Register of account of AP x) Register of commodity As applicable	Rs. 10,000/- per book

Sr. No.	Violations	Applicable Penalty/disciplinary action
17	Non adoption / Maintenance of following policies as per the regulatory requirements (as applicable): i. Policy regarding pre-funded instrument ii. policy to handle client code modification iii. risk management policy iv. managing conflict of interest v. assessment of activities outsourced vi. Surveillance policy vii. Policy for Inactive Clients	Rs. 2,000/- per policy
18	Delay in payment of funds to clients / Delay in transfer of commodities to clients beyond 3 working days - from the date of receipt of request from the clients	Rs. 50,000/- or 1% of the value of the amounts/ commodities, per instance
19	Non-payment of statutory dues/duties/fees etc.	Advice
20	More than one ID to a client	Rs.10,000/ - per ID
21	Non-maintenance of client code/non mapping of trading code.	Rs.10,000/ - per client
22	Pledging statement not sent	Advice
23	NEFT/RTGS not implemented	Advice

Incremental Penalties Structure

In case any violation is observed to be repeated, during inspection conducted in last three financial years, the following penalty would be made applicable.	
Applicable Penalty	Penalty for repeat violations
Advice	Warning
Warning	Rs. 5,000/-
Monetary Penalty	Increase penalty amount by 50%

Annexure A

Part II - DETAILS OF EXISTING PENALTIES / DISCIPLINARY ACTIONS FOR OTHER VIOLATIONS

Sr. No.	Violations	Applicable penalty/disciplinary action
1	Non-maintenance of vouchers (entries being directly posted to ledgers)	Upto 2 instances: Advice More than 2 instances: Warning
2	Non-maintenance of up to date bank reconciliation statements	Upto 2 instances: Advice More than 2 instances: Warning
3	Use of client bank account for purposes other than specified	Upto 2 instances: Warning More than 2 instances: Rs.5,000/-
4	Partial compliance for issue of statement of accounts for funds and commodities	Upto 2 instances: Rs.2,500/- More than 2
5	Sharing of brokerage with: -another member -an employee of another member - a person for or with whom members are forbidden to do business	Upto 2 instances: Rs.2,500/- More than 2 instances: Rs.5,000/-
6	Doing business with or for the trading members who are prohibited to transact, including suspended/expelled/defaulter trading member, defaulting constituents and employees of other trading members	Upto 2 instances: Rs.2,500/- More than 2 instances: Rs.5,000/-

Sr. No.	Violations	Applicable penalty/disciplinary action
7	Difference in trade rate as per the TWS system and the rate charged	Excess amount to be returned to the client and fine equal to twice the excess amount charged or Rs.25,000/- whichever is higher, to be levied on the member
8	Portfolio Management Services (PMS) – Member indulged in offering portfolio management services or any services in the nature of portfolio management services directly or indirectly	Deactivation of terminals, suspension/termination from membership and in addition a penalty of minimum Rs. 1 lakh per case
9	Member has falsely reported margin collection to the Exchange	If during inspection or otherwise, incorrect reporting of margin collected from client by member is found, the member shall be penalized upto 100% of such amount incorrectly reported and other disciplinary actions
10	Shareholding pattern not verifiable due to incomplete/absence of records	Rs.5,000/-
11	Any change in the shareholding pattern/profit sharing ratio without the prior approval of the Exchange involving dilution not below the minimum prescribed shareholding of the dominant promoter group	Rs.10,000/-
12	Any other change in the shareholding pattern/profit sharing ratio of the Trading Member without the approval of the Exchange	Rs.2,500/-
13	Change in the shareholding pattern without the approval of the Exchange which has resulted in the dilution of the shareholding/profit sharing ratio of the Dominant group below 51%	Upto 2 instances: Rs. 25,000/- More than 2 instances: Rs. 50,000/-

Sr. No.	Violations	Applicable penalty/disciplinary action
14	Dealing with a Member of another Exchange on behalf of constituents without necessary registration	Upto 2 instances: Rs.2,500/- per instance More than 2 instances: Rs.5,000/- per instance
15	Commodities due to one client transferred to other clients	Upto 2 instances: Rs.2,500/- More than 2 instances:
16	Non-compliance of Networth requirements as per the Exchange	Upto 2 instances: Rs.1,000/- per instance More than 2 instances: Rs.5,000/- per instance
17	Delayed/Non-submission of system audit report	Rs.500/- per day for the period of non-submission

Annexure B

PENALTIES / DISCIPLINARY ACTIONS TO THE PROVISIONS OF ENHANCED SUPERVISION GUIDELINES

Sr. No.	Violations	Applicable Penalty/disciplinary action
1.	Failure to furnish correct Net worth certificate to Stock Exchange within 60 days for half year ending September 30th and half year ending March 31st (unaudited).	(Submission in 2 months from half year ending, CA certified statements based on unaudited accounts and additionally as a part of annual audited accounts as per point 3) Delay in Submission 1. Charges of Rs.200/- per day for 1st Month after the due date 2. Charges of Rs.500/- per day for 2nd month after due date till date of submission or disablement 2 weeks' notice shall be given to the Member after the 2nd month from the due date, subsequent to which the Member shall be disabled (suspended square off mode) in respective segments by the Exchange. The disablement notice issued to the Member shall be shared with all the Exchanges for information

2.	Failure to furnish Internal Audit report to Stock Exchanges for half year ending September 30th by November 30th and half year ending March 31st by May 31st.	For Active Trading/Clearing Members (who are required to submit the internal audit report) Due time for submission: 2 Months 1 For 1st month after due date, Fine of Rs. 200/- per day 2 Charges of Rs.500/- per day from 2nd month after due date till date of submission or disablement

Sr. No.	Violations	Applicable Penalty/disciplinary action
		2 weeks' notice shall be given to the Member after the 3rd month from the due date, subsequent to which the Member shall be disabled (suspended square off mode) in all segments of the Exchange.
3.	a) Failure to furnish Annual Audited Accounts/ returns by October 31 of the relevant year. In case Income Tax Dept. extend the due date, the same shall be applicable here. b) Delayed/non-submission of data with respect to monitoring of financial strength of Members (ratios/indicators)	1. Charges of Rs.200/- per day for 1st Month from the due date 2. Charges of Rs.500/- per day for 2nd month after due date till date of submission or disablement 2 weeks' notice shall be given to the Member after the 2nd month from the due date, subsequent to which the Member shall be disabled (suspended square off mode) in all segments of the Exchange. The disablement notice issued to the Member shall be shared with all the Exchanges.
4.	Failure to submit data for the half yearly Risk Based Supervision within the time specified by Stock Exchange.	Submission after due date - Within 5 days - Rs.10,000/- After 5 days but before 15 days - Additional Rs.2,000/- per day After 15 days from the due date – Additionally, Trading members will not be allowed to register any new clients in Exchange UCC database (This will be implemented across the Exchanges, even if data is not submitted to any one of the Exchanges. Registration of new clients will be allowed after data is submitted to all the exchanges)

Sr. No.	Violations	Applicable Penalty/disciplinary action
		2 weeks' notice shall be given to the Member after Non submission beyond 45 days from the end of due date subsequent to which the Member shall be disabled (suspended square off mode) in all segments of the Exchange. Enablement of terminal will not be allowed till the data is submitted to all the Exchanges. The disablement notice issued to the Member shall be shared with all the Exchanges.
5.	a) Failure to assign appropriate Bank and Demat nomenclature within the time specified b) Non-submission/incorrect submission of PAN of Key Managerial Personnel (KMPs)/Directors/dealers etc. within the time specified	i. Penalty Charges of Rs.5,000/- per annum for failure to assign nomenclature to Bank/demat /submit the PAN details, ii. Warning to be issued to stock broker and iii. Direction to assign appropriate nomenclature/submit the data related to PAN and intimate such details to the Exchange.
6.	Failure to report new bank and demat accounts opened by the stock broker to exchanges within the time specified for reporting of such accounts	Penalty Charges of Rs.5,000/- per annum and warning to be issued to stock broker and direction to report such details to the Exchange

7.	Non-submission / late submission of data towards monitoring of client funds	Delay/non-submission in case of monthly submission 1. Submission within 10 calendar days from the due date – Rs.500/- per day 2. Submission beyond 10 calendar days from the due date – Rs.1,000/- per day In case of non-submission for consecutive 2 months – New client registration to be restricted.
		In case of non-submission for consecutive 3 months – 2 weeks' notice shall be given to the Member subsequent to which the Member shall be disabled (suspended square off mode) in all segments by the Exchange.
		Delay/non-submission in case of weekly submission: 1. Submission within 10 calendar days from the due date – Rs.500/- per day 2. Submission beyond 10 calendar days from the due date – Rs.1,000/- per day In case of non-submission for consecutive 4 weeks – New client registration to be restricted In case of non-submission for consecutive 8 weeks – 2 weeks' notice shall be given to the Member subsequent to which the Member shall be disabled (suspended square off mode) in all segments by the Exchange

Sr. No.	Violations	Applicable Penalty/disciplinary action
8.	Non/late submission of data towards upload of client funds & security/commodity balances (Above information for all clients- active / inactive shall be sent/ uploaded) The window for submission of data shall not be closed till uploading of data.	Disciplinary action shall be based on the clientele size of the members as under: Below 5,000 clients: Rs. 10,000/- per month Between 5,000- 10,000 clients: Rs.25,000/- per month Between 10,001- 50,000 clients: Rs. 1,00,000/- per month Above 50,001 clients: Rs. 2,00,000/- per month In case of non-submission for consecutive 2 months – 2 weeks' notice shall be given to the Member subsequent to which the Member shall be disabled (suspended square off mode) in all segments by the Exchange.

9.	Incomplete submission of data towards enhanced supervision- Monitoring of client funds & upload of client funds & security balances	To be treated at par as non-submission of data by the Member and penalty shall be levied accordingly.
10.	Material wrong submission or incorrect submission of data towards enhanced supervision- Monitoring of client funds & upload of client funds & security balances	Penalty may vary from warning to Rs. 1 lakh on case to case basis. (The serious case shall be discussed separately in DAC, The Exchange may enhance the penalty as deemed fit)]38

[38] Inserted, ibid.

[iii) Further, as per Circular no. MCX/MEM/052/2018 dated February 16, 2018 , Members are informed that the revised penalties/disciplinary action(s) as mentioned herein below are applicable from February 16,2018:

Sr.No.	Violations	Penalty/Actions
1	Post facto changes resulting in dilution of the shareholding (SHP) / Sharing pattern (SP) ratio of the Dominant Promoter Group (DPG) below 51%	Rs.1,00,000/-
2	i. Post facto changes in SHP/SP involving dilution not below the minimum prescribed shareholding/sharing pattern of the Dominant Promoter Group ii. Any other change in SHP/SP of the Members without the approval of the Exchange.	Rs.10,000/- Rs.2,500/-

Note :

1. The aforesaid penalties (plus applicable taxes) would apply in cases where Members have not taken prior approval from the Exchange before undertaking changes in their or their holding company's shareholding/ sharing pattern/ Dominant Promoter Group (DPG) etc.

2. In cases of change in control, apart from the recovery of penalty (as stated above) Exchange may consider putting trading terminals of the Members into square off mode with immediate effect, if the new DPG are not found to be "Fit and Proper" in terms of SEBI (Intermediaries) Regulations, 2008.

iv) [Further, penalties for violations mentioned herein below shall be as per Circular no. MCX/MEM/052/2018 dated February 16, 2018 which is effective from the date of its issuance (i.e. February 16,2018) :

A. Non-compliances with regards to change in Directors/Partners without prior approval of / Intimation to the Exchange :

Sr.No.	**Non-compliances**	**Penalty /Action**
1	Change in Designated Directors/Designated Partners/ Managing Partners without obtaining the prior approval of the Exchange	Rs.5000/- (plus applicable GST) per instance (i.e. per director/partner)
2	Change in Ordinary Directors/ Partners without intimation to the Exchange within 15 days from the date of such change in ROC/ROF	Issue of warning letter
3	Non-Submission of application/ complete documents (as per	On completion of 3 months from :

	applicable checklist) by the Members for Post facto approval for changes in Designated Directors/ Designated Partners / Managing Partners	i) The date of intimation by the Exchange sent to the Members requiring him to submit the post facto application; or ii) The date of receipt by the Exchange of the incomplete application from the Members, whichever is earlier. Thereafter, 4 weeks' notice shall be given to the Members to submit the complete documents (as per applicable checklist). On failure to do so within the notice period, the Member's terminals shall be disabled (suspended square off mode) till the time the Members submits complete documents for such post facto changes. (the said disciplinary action is in addition to the penalties stated at Sr. no. 1 above)

B) Further, Non-submission with regards to change in Shareholding Pattern (SHP)/Sharing Pattern (SP) without the approval of the Exchange penalty would be applicable as detailed below:

Sr.No.	Violations	Penalty/Actions
1	Non-Submission of application/ complete documents (as per applicable checklist) by the Members for Post facto approval for changes in SHP/ SP leading to dilution of holding of Dominant Promoter Group below 51%	On completion of One month from: i) The date of intimation by the Exchange sent to the Members requiring him to submit the post facto application; or ii) The date of receipt by the Exchange of the incomplete application from the Members, whichever is earlier Thereafter, 4 weeks' notice shall be given to the Members to submit the complete documents (as per applicable checklist). On failure to do so within the notice period, the Member's terminals shall be disabled (suspended square off mode) till the time the Members submits complete documents for such post facto changes. (the said disciplinary action is in addition to the penalty stated at Sr. no. 1 of point iii)
Note : 1. The aforesaid penalties (plus applicable taxes) would apply in cases where Members have not taken prior approval from the Exchange before undertaking changes in their or their holding company's shareholding/ sharing pattern/ Dominant Promoter Group (DPG) etc. 2. In cases of change in control, apart from the recovery of penalty (as stated above) Exchange may consider putting trading terminals of the Members into square off mode with immediate effect, if the new DPG are not found to be "Fit and Proper" in terms of SEBI (Intermediaries) Regulations, 2008.		

[39][Revised penalty for dealings in cash with clients/other entities w.e.f. November 13, 2018

-10% of the amount of cash dealing or Rs.1,000/- whichever is higher.

-For repetitive instances – penalty shall be escalated by 50%]

Further, the above referred penalties (*i.e. point no. i , ii , iii & iv)* are indicative in nature and could undergo changes in specific cases depending on frequency, materiality and gravity of violations. In case of serious violations or violations of repetitive nature, the Exchange may

[39] Inserted vide MCX Circular No. MCX/INSP/468/2018 dated November 13, 2018

take strict action as it may deem fit, including levy of higher penalties / deactivation of trading terminals / suspension / etc.][40]

[40] Inserted vide MCX Circular No. MCX/MEM/052/2018 dated February 16, 2018

15. Illustrative Compliance Checklist

Members of the Exchange are here by advised to comply with the following compliance requirements. However, it may be noted that the below mentioned list of compliance is illustrative in nature and not exhaustive. Members should comply with all the regulatory requirements laid down by the Exchange / SEBI from time to time.

RECORD COMPLIANCE:

Member will have to keep and maintain all Books of Accounts and other Records / Registers / Details as under:

i. Records of transaction of all purchases and sales of commodities / contracts

ii. Record in respect of premium / discount

iii. Records in respect of brokerage

iv. Client Ledger

v. General Ledger

vi. Journals

vii. Cash Book

viii. Bank Book & Bank pass Book / Bank statement

ix. Margin Deposit Book/ records of margin

x. Record of all statements received from the appropriate agencies and records of all correspondence with them

xi. Reports like trade log / order log

xii. Duplicate copies of the contract notes issued

xiii. Proof of dispatch & receipt/delivery of contract notes

xiv. Record of Deliveries Received / Tendered Contract wise.

xv. Periodic bank reconciliation statement.

xvi. Register of complaints / grievances

xvii. ECN log report

xviii. Client registration documents.

In addition to above, member shall keep and maintain such number of books of accounts, documents, and records as prescribed by the Exchange and / or any relevant authority from time to time.

The above records / details are required to be preserved for a minimum period as prescribed by SEBI/Exchange and / or any relevant authority from time to time.

ADMINISTRATIVE COMPLIANCE:

i. Member shall obtain client registration documents containing all the prescribed mandatory documents like KYC application form, Rights & obligations of Members, AP & clients, Do's & Don'ts for the clients, Risk Disclosure Document, Tariff sheet etc.

ii. Member shall ensure that additional voluntary/non-mandatory clause/document added under client registration documents by the member are not in contravention with Rules/Bye -Laws/Notices/Circulars of the Exchange/SEBI and shall sought separate authorizations from the client and do have specific consent of the client in voluntary document.

iii. Member shall upload KYC details of all the clients on KRA systems including Central KYC within the timelines prescribed by the Exchange and / or any relevant authority from time to time.

iv. Running account authorization given by the client (if any) is signed by client and not by POA (Power of Attorney) holder and contains a clause which explicitly allows a client to revoke the said authorization at any time.

v. Member shall take reasonable steps to assess the background, genuineness, financial soundness and investment objectives of their clients while registering.

vi. Member shall not become a constituent of another member or allow any of the member of the Exchange be their constituent.

vii. Member shall not deal or access the Trading System of the Exchange through another Member or on behalf of any other member without prior approval of the Exchange.

viii. Member will have to ensure that he shall not undertake his trading activities with /on behalf of any member, who has been suspended, expelled or declared defaulter by the Exchange / SEBI and other National Exchanges.

ix. Member shall ensure that he has not appointed any Authorised / Approved User Person without the permission of the Exchange and has informed the Exchange whenever there is any change in the same.

x. Member is required to ensure that they give intimation / take approval of the Exchange whenever there is a change in the constitution and/or shareholding pattern as may be applicable from time to time. Member is required to ensure that he has not given any ID to any users which are not registered with the Exchange and therefore all the users are registered with the Exchange.

xi. The Member is required to ensure that he has installed antivirus software which is capable to take care of operating systems and in case of members using internet for trading has installed firewalls to protect their networks.

xii. The member shall ensure that guidelines prescribed for issue of advertisement is adhered to while issuing advertisement and that approval of the Exchange is obtained.

xiii. Member shall comply with all the guidelines/circulars issued by SEBI/Exchange and / or any relevant authority with respect to Anti-Money Laundering and Maintenance of records as prescribed from time to time.

xiv. Member shall comply with all the guidelines/circulars issued by SEBI/Exchange and / or any relevant authority with respect to Outsourcing of Activities by Intermediaries as prescribed from time to time.

xv. The member shall ensure that the details required by the Exchange like Annual Returns (financial statements, Sharing Pattern, Shareholding Pattern, Net worth Certificate) self-certification letter, unique client code details or such other details whenever called upon is submitted to the appropriate authority of the Exchange from time to time.

xvi. The member shall ensure that the details sought by Relevant Authority are being submitted within the timelines prescribed by the Exchange and / or any relevant authority from time to time.

xvii. Member shall not share brokerage with unregistered intermediaries/another member/employee of another member/person for or with whom members are forbidden to do business/persons other than Authorized Persons or persons or any other unregistered intermediary.

xviii. [Members shall pay applicable Commodity Transaction Tax (CTT) /Stamp Duty/ GST [****][41] and other applicable statutory dues to respective authorities within the timelines prescribed by the Exchange and/ or any relevant authority from time to time.]

xix. Member shall not indulge directly or indirectly in any activity in the nature of Portfolio Advisory Services/ Portfolio Management Services.

xx. Member shall comply with all the guidelines/circulars issued by SEBI/Exchange and / or any relevant authority with respect to segregation of BPO/KPO services from Commodity Derivatives Market as prescribed from time to time.

xxi. The Member shall send margin statements to the clients on daily basis. Margin statement should include details of collateral deposited, collateral utilized and collateral status (available balance/due from client) with break up in terms of cash, Fixed Deposit Receipts (FDRs), Bank Guarantee, warehouse receipts, securities etc.

---

[41] Deleted. Prior to deletion it read as under:
"Service Tax/ Sales Tax/Value Added Tax (VAT)"

xxii. [Members are hereby directed to provide Annual Global Statement to their Clients within 30 days from the end of the financial year and shall contain details of all transactions executed by the client in the financial year.

Indicative format and FAQs for Annual Global Statement are available on the Exchange website. The requirement shall be applicable w.e.f. FY 2017-2018 onwards.][42]

xxiii. Member shall not collect short margin penalty in excess of actual penalty from the clients.

xxiv. MCX Certified Commodity Professional (MCCP) shall be held by minimum one of the employee of members.

xxv. The members using trading software are required to conduct system audit of their trading facility in accordance with the circular regarding Annual System Audit of the trading member of Exchange issued by SEBI.

xxvi. Member is required to ensure that he has not carried out any activity connected to their operations as Member, in any office or premises without intimation to the Exchange,

DEALING WITH CLIENTS

i. Member shall settle accounts (funds) of their clients within the timelines prescribed by the Exchange and / or any relevant authority from time to time.

ii. Members shall collect upfront initial margin, Extreme Loss Margin (ELM) and other margins (including additional margin , special margin, tender margin and delivery margin) also Mark to Market loss (MTM), as applicable within specified time limits from their respective clients and report the same correctly to the Exchange, within the timeline specified.

iii. Member shall send to the client a statement of accounts containing an extract from the client ledger of funds for the relevant settlement period and the statement also explains the retention of funds in case of margin with respect to open position of client.

iv. The Member shall send a complete `Statement of Accounts' for both funds and commodities in respect of each of its clients in such periodicity and format within such time, as may be prescribed by the relevant Exchange, from time to time, where the trade is executed.

The Statement shall also state that the client shall report errors, if any, in the Statement immediately in the statement within such time as may be prescribed by relevant

[42] Inserted vide MCX Circular No. MCX/ INSP/444/2017 dated November 28, 2017 & MCX/INSP/013/2018 dated January 12, 2018

Exchange from time to time where the trade was executed, from the receipt thereof to the stock broker.

ORDER COMPLIANCE:

i. Member shall obtain instructions from his constituents before placing modification / cancellation.

ii. Member shall make available the details of the order status to his constituents at the request of constituents.

iii. [Members shall execute trades of clients only after keeping evidence of the client placing such order, it could be, inter alia, in the form of:
a. Physical record written & signed by client,
b. Telephone recording,

c. Email from authorized email id,

d. Log for internet transactions,

e. Record of messages through mobile phones,

f. Any other legally verifiable record.

Further, wherever the order instructions are received from clients through the telephone, Members shall mandatorily use telephone recording system to record the instructions and maintain telephone recordings as part of its records.

Members are required to maintain the records specified above for a minimum period for which the arbitration accepts investors' complaints as notified from time to time, currently three years. However in cases where dispute has been raised, such records shall be kept till final resolution of the dispute.

If SEBI desires that specific records be preserved then such records shall be kept till further intimation by SEBI.

When a dispute arises, the Member of the Exchange shall produce the above mentioned records for the disputed trades. However for exceptional cases such as technical failure etc. where broker fails to produce order placing evidences, the broker shall justify with reasons for the same and depending upon merit of the same, other appropriate evidences like post trade confirmation by client, receipt/payment of funds/ securities by client in respect of disputed trade, etc. shall also be considered.

The provision of above clause (iii), shall be effective with effect from April 1, 2018 or as may be decided by SEBI / the Exchange from time to time."][43]

CONTRACT NOTE COMPLIANCE:

i. Member shall issue contract note for trades executed in prescribed format with all the relevant details duly filled in within 24 hours from the close of trading hours when the trade is executed. Member may also issue digitally signed contract note at the request of his constituents subject to the compliance of all the provision of IT Act. 2000, directives and circulars issued by Exchange.

ii. Member shall send physical contract note within stipulated time in case of bounced back of ECN mail.

iii. Contract note shall be signed by the member or their Authorised signatory.

iv. Contract note shall be serially numbered beginning from one, which shall be reset only at the beginning of the next year.

v. Where the member has more than one office, member can set separate series number with dealing office name or code as a prefix to the serial number.

vi. Member shall ensure that brokerage is charged separately and is not in excess of the agreed rates and / or is within the maximum prescribed limits and the same is indicated separately from the price in the contract note.

vii. Member shall ensure that the Unique Membership Code (UMC) or Registration Number allotted by Securities and Exchange board of India (SEBI) shall be printed on the Contract note.

RISK MANAGEMENT COMPLIANCE:

i. Member are required to ensure that he has collected required [****][44] margin from clients before entering any orders for his clients as may be decided by SEBI/ the Exchange from time to time.

ii. In case member has more than one terminal, member has to ensure that appropriate risk management system / limit checking / surveillance mechanism is installed at appropriate level so that overall Exposure as well as Intraday limit is being used properly.

---

[43] Substituted vide MCX Circular No. MCX/INSP/449/2017 dated November 30,2017 and MCX/INSP/111/2018 dated March 26,2018. Prior to substitution it read as under:
"Member shall maintain evidence of client placing / modifying / cancelling orders in any form, which may include written or electronic or voice recording instrument."

[44] Deleted. Prior to deletion it read as *"adequate".*

iii. Member shall ensure that MCX Market data has not been used other than for legitimate purposes.

DEALING WITH CLIENT FUND & ITS COMPLIANCE:

i. Member shall ensure that he has made full payment to their constituents on receipt of pay-out from the Exchange within the time limits prescribed by the Exchange.

ii. Member is required to ensure that he has maintained separate bank account for their own account and clients account.

iii. Member is advised to designate an Exclusive e-mail ID of the grievance redressal division/compliance officer exclusively for the purpose of registering complaints by investors and to display the email ID and other relevant details prominently on their websites and in the various materials/pamphlets/advertisement campaigns initiated by them for creating investor awareness and member are also required to ensure that Complaint of any client is not pending for more than thirty days (please provide the details of complaints if any pending for more than 30 days).

Member is required to ensure that funds/commodities of a client were not used for meeting own obligations or for any other clients.

INSPECTION OF BOOKS OF ACCOUNTS AND OTHER RELATED DOCUMENTS:

Member shall ensure to keep ready all the necessary Books of Accounts, Records, Documents, to provide all the relevant details at the time of inspection of Books of Accounts and to co-operate with the Inspection Team.

ANNEXURES

Annexure – 1

SET OF ACCOUNT OPENING DOCUMENT

Name of member:

_____

SEBI Registration No. for Exchange 1(mention name):

_____

_____

SEBI Registration No. for Exchange 2(mention name):

_____

_____

Registered office address:

_____

_____

_

Ph:_____Fax:_____E-mail:_____Website:

_____

Correspondence office address:

_____

Ph : Fax : E-mail: Website:

_____ _____ _____

_____

Compliance officer name, phone no. & email id:_____

CEO/Partner/Proprietor name, phone no. & email id:

_____

S. No.	Name of the Document	Brief Significance of the Document	Page No
MANDATORY DOCUMENTS AS PRESCRIBED BY SEBI & EXCHANGES			
1	KYC(Account Opening)	KYC form - Document captures the basic information about the constituent and an instruction/check list.	

	application form		
2	Uniform Risk Disclosure Document	Document detailing risks associated with dealing in the commodities market.	
3	Rights and Obligations of Members, Authorized Persons	Document stating the Rights & Obligations of member, Authorized Person and client for trading on exchanges (including additional rights & obligations in case of internet/wireless technology based trading).	
4	Do's and Don'ts for the Investors	Document detailing do's and don'ts for trading on exchange, for the education of the investors.	
5	Tariff sheet	Document detailing the rate/amount of brokerage and other charges levied on the client for trading on the Commodity Exchange(s) *(to be added by the member).*	
VOLUNTARY DOCUMENTS AS PROVIDED BY THE MEMBER *			
6			
7			

- *For any grievance/dispute please contact member (name) at the above address or email id- xxx@email.com and Phone no. 91-XXXXXXXXXX. In case not satisfied with the response, please contact the concerned exchange(s) at xyz@email.com and Phone no. 91-XXXXXXXXXX.*

- ***Following documents should not form part of either mandatory or Voluntary documents:*

1) *Authorization letter for any inter family / group company / related accounts adjustment*
2) *[Deleted][45]*

[45] Deleted, Supra note 7. Prior to deletion it read as under:
"Authorization of adjustment of funds among securities exchange and commodities exchange.

Annexure I Part I

CENTRAL KYC REGISTRY | Know Your Customer (KYC) Application Form | Individual

Important Instructions:

A) Fields marked with "*" are mandatory fields.
B) Please fill the form in English and in BLOCK letters.
C) Please fill the date in DD-MM-YYYY format.
D) Please read section wise detailed guidelines / instructions at the end.
E) List of State / U.T code as per Indian Motor Vehicle Act, 1988 is available at the end.
F) List of two character ISO 3166 country codes is available at the end.
G) KYC number of applicant is mandatory for update application.
H) For particular section update, please tick (✓) in the box available before the section number and strike off the sections not required to be updated.

For office use only
(To be filled by financial institution)

Application Type* ☐ New ☐ Update
KYC Number *(Mandatory for KYC update request)*
Account Type* ☐ Normal ☐ Simplified (for low risk customers) ☐ Small

☐ 1. PERSONAL DETAILS (Please refer instruction A at the end)

	Prefix	First Name	Middle Name	Last Name
☐ Name* (Same as ID proof)				
Maiden Name (If any*)				
Father / Spouse Name*				
Mother Name*				

Date of Birth* D D – M M – Y Y Y Y

PHOTO

Gender* ☐ M- Male ☐ F- Female ☐ T-Transgender

Marital Status* ☐ Married ☐ Unmarried ☐ Others

Citizenship* ☐ IN- Indian ☐ Others (ISO 3166 Country Code)

Residential Status* ☐ Resident Individual ☐ Non Resident Indian ☐ Foreign National ☐ Person of Indian Origin

Occupation Type* ☐ S-Service (☐ Private Sector ☐ Public Sector ☐ Government Sector) ☐ O-Others (☐ Professional ☐ Self Employed ☐ Retired ☐ Housewife ☐ Student) ☐ B-Business ☐ X- Not Categorised

Signature / Thumb Impression

☐ 2. TICK IF APPLICABLE ☐ RESIDENCE FOR TAX PURPOSES IN JURISDICTION(S) OUTSIDE INDIA (Please refer instruction B at the end)

ADDITIONAL DETAILS REQUIRED* (Mandatory only if section 2 is ticked)

ISO 3166 Country Code of Jurisdiction of Residence*

Tax Identification Number or equivalent (If issued by jurisdiction)*

Place / City of Birth* ISO 3166 Country Code of Birth*

☐ 3. PROOF OF IDENTITY (PoI)* (Please refer instruction C at the end)

(Certified copy of any one of the following Proof of Identity[PoI] needs to be submitted)

☐ A- Passport Number Passport Expiry Date D D – M M – Y Y Y Y
☐ B- Voter ID Card
☐ C- PAN Card
☐ D- Driving Licence Driving Licence Expiry Date D D – M M – Y Y Y Y
☐ E- UID (Aadhaar)
☐ F- NREGA Job Card
☐ Z- Others (any document notified by the central government) Identification Number
☐ S- Simplified Measures Account - Document Type code Identification Number

4. PROOF OF ADDRESS (PoA)*

☐ 4.1 CURRENT / PERMANENT / OVERSEAS ADDRESS DETAILS (Please see instruction D at the end)

(Certified copy of any one of the following Proof of Address [PoA] needs to be submitted)

Address Type* ☐ Residential / Business ☐ Residential ☐ Business ☐ Registered Office ☐ Unspecified

Proof of Address* ☐ Passport ☐ Driving Licence ☐ UID (Aadhaar) ☐ Voter Identity Card ☐ NREGA Job Card ☐ Others (please specify) ☐ Simplified Measures Account - Document Type code

Address
Line 1*
Line 2
Line 3 City / Town / Village*
District* Pin / Post Code* State / U.T Code* ISO 3166 Country Code*

☐ 4.2 CORRESPONDENCE / LOCAL ADDRESS DETAILS * (Please see instruction **E** at the end)

☐ Same as Current / Permanent / Overseas Address details (In case of multiple correspondence / local addresses, please fill '**Annexure A1**')

Line 1*

Line 2

Line 3 City / Town / Village*

District* Pin / Post Code* State / U.T Code* ISO 3166 Country Code*

☐ 4.3 ADDRESS IN THE JURISDICTION DETAILS WHERE APPLICANT IS RESIDENT OUTSIDE INDIA FOR TAX PURPOSES* (Applicable if section 2 is ticked)

☐ Same as Current / Permanent / Overseas Address details ☐ Same as Correspondence / Local Address details

Line 1*

Line 2

Line 3 City / Town / Village*

State* ZIP / Post Code* ISO 3166 Country Code*

☐ 5. CONTACT DETAILS (All communications will be sent on provided Mobile no. / Email-ID) (Please refer instruction F at the end)

Tel. (Off) – Tel. (Res) – Mobile –

FAX – Email ID

☐ 6. DETAILS OF RELATED PERSON (In case of additional related persons, please fill 'Annexure B1') (please refer instruction G at the end)

☐ Addition of Related Person ☐ Deletion of Related Person KYC Number of Related Person (If available*)

Related Person Type* ☐ Guardian of Minor ☐ Assignee ☐ Authorized Representative

Name* Prefix First Name Middle Name Last Name

(If KYC number and name are provided, below details of section 6 are optional)

PROOF OF IDENTITY [PoI] OF RELATED PERSON* (Please see instruction (H) at the end)

☐ A- Passport Number Passport Expiry Date D D – M M – Y Y Y Y

☐ B- Voter ID Card

☐ C- PAN Card

☐ D- Driving Licence Driving Licence Expiry Date D D – M M – Y Y Y Y

☐ E- UID (Aadhaar)

☐ F- NREGA Job Card

☐ Z- Others (any document notified by the central government) Identification Number

☐ S- Simplified Measures Account - Document Type code Identification Number

☐ 7. REMARKS (If any)

8. APPLICANT DECLARATION

- I hereby declare that the details furnished above are true and correct to the best of my knowledge and belief and I undertake to inform you of any changes therein, immediately. In case any of the above information is found to be false or untrue or misleading or misrepresenting, I am aware that I may be held liable for it.
- I hereby consent to receiving information from Central KYC Registry through SMS/Email on the above registered number/email address.

[Signature / Thumb Impression]

Signature / Thumb Impression of Applicant

Date : D D – M M – Y Y Y Y Place :

9. ATTESTATION / FOR OFFICE USE ONLY

Documents Received ☐ Certified Copies

KYC VERIFICATION CARRIED OUT BY	INSTITUTION DETAILS
Date D D – M M – Y Y Y Y	Name
Emp. Name	Code
Emp. Code	
Emp. Designation	
Emp. Branch	
[Employee Signature]	[Institution Stamp]

CENTRAL KYC REGISTRY | Instructions / Check list / Guidelines for filling Individual KYC Application Form

General Instructions:

1. Fields marked with '*' are mandatory fields.
2. Tick '✓' wherever applicable.
3. Self-Certification of documents is mandatory.
4. Please fill the form in English and in BLOCK Letters.
5. Please fill all dates in DD-MM-YYYY format.
6. Wherever state code and country code is to be furnished, the same should be the two-digit code as per Indian Motor Vehicle, 1988 and ISO 3166 country code respectively list of which is available at the end.
7. KYC number of applicant is mandatory for updation of KYC details.
8. For particular section update, please tick (✓) in the box available before the section number and strike off the sections not required to be updated.
9. In case of 'Small Account type' only personal details at section number 1 and 2, photograph, signature and self-certification required.

A Clarification / Guidelines on filling 'Personal Details' section

1. **Name:** Please state the name with Prefix (Mr/Mrs/Ms/Dr/etc.). The name should match the name as mentioned in the Proof of Identity submitted failing which the application is liable to be rejected.
2. Either **father's name or spouse's** name is to be mandatorily furnished. In case PAN is not available father's name is mandatory.

B Clarification / Guidelines on filling details if applicant residence for tax purposes in jurisdiction(s) outside India

1. **Tax identification Number (TIN):** TIN need not be reported if it has not been issued by the jurisdiction. However, if the said jurisdiction has issued a high integrity number with an equivalent level of identification (a "Functional equivalent"), the same may be reported. Examples of that type of number for individual include, a social security/insurance number, citizen/personal identification/services code/number, and resident registration number)

C Clarification / Guidelines on filling 'Proof of Identity [PoI]' section

1. If driving license number or passport is provided as proof of identity then expiry date is to be mandatorily furnished.
2. Mention identification / reference number if '2- Others (any document notified by the central government)' is ticked.
3. In case of Simplified Measures Accounts for verifying the identity of the applicant, any one of the following documents can also be submitted and undernoted relevant code may be mentioned in point 3 (1).

Document Code	Description
01	Identity card with applicant's photograph issued by Central/ State Government Departments, Statutory/ Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions.
02	Letter issued by a gazetted officer, with a duly attested photograph of the person.

D Clarification / Guidelines on filling 'Proof of Address [PoA] - Current / Permanent / Overseas Address details' section

1. PoA to be submitted only if the submitted PoI does not have an address or address as per PoI is invalid or not in force.
2. State / U.T Code and Pin / Post Code will not be mandatory for Overseas addresses.
3. In case of Simplified Measures Accounts for verifying the address of the applicant, any one of the following documents can also be submitted and undernoted relevant code may be mentioned in point 4.1.

Document Code	Description
01	Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill).
02	Property or Municipal Tax receipt.
03	Bank account or Post Office savings bank account statement.
04	Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address.
05	Letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and license agreements with such employers allotting official accommodation.
06	Documents issued by Government departments of foreign jurisdictions and letter issued by Foreign Embassy or Mission in India.

E Clarification / Guidelines on filling 'Proof of Address [PoA] - Correspondence / Local Address details' section

1. To be filled only in case the PoA is not the local address or address where the customer is currently residing. No separate PoA is required to be submitted.
2. In case of multiple correspondence / local addresses, Please fill '**Annexure A1**'

F Clarification / Guidelines on filling 'Contact details' section

1. Please mention two- digit country code and 10 digit mobile number (e.g. for Indian mobile number mention 91-9999999999).
2. Do not add '0' in the beginning of Mobile number.

G Clarification / Guidelines on filling 'Related Person details' section

1. Provide KYC number of related person if available.

H Clarification / Guidelines on filling 'Related Person details – Proof of Identity [PoI] of Related Person' section

1. Mention identification / reference number if '2- Others (any document notified by the central government)' is ticked.

List of two – digit state / U.T codes as per Indian Motor Vehicle Act, 1988

State / U.T	Code
Andaman & Nicobar	AN
Andhra Pradesh	AP
Arunachal Pradesh	AR
Assam	AS
Bihar	BR
Chandigarh	CH
Chattisgarh	CG
Dadra and Nagar Haveli	DN
Daman & Diu	DD
Delhi	DL
Goa	GA
Gujarat	GJ
Haryana	HR

State / U.T	Code
Himachal Pradesh	HP
Jammu & Kashmir	JK
Jharkhand	JH
Karnataka	KA
Kerala	KL
Lakshadweep	LD
Madhya Pradesh	MP
Maharashtra	MH
Manipur	MN
Meghalaya	ML
Mizoram	MZ
Nagaland	NL
Orissa	OR

State / U.T	Code
Pondicherry	PY
Punjab	PB
Rajasthan	RJ
Sikkim	SK
Tamil Nadu	TN
Telangana	TS
Tripura	TR
Uttar Pradesh	UP
Uttarakhand	UA
West Bengal	WB
Other	XX

List of ISO 3166 two- digit Country Code

Country	Country Code	Country	Country Code	Country	Country Code	Country	Country Code
Afghanistan	AF	Dominican Republic	DO	Libya	LY	Saint Pierre and Miquelon	PM
Aland Islands	AX	Ecuador	EC	Liechtenstein	LI	Saint Vincent and the Grenadines	VC
Albania	AL	Egypt	EG	Lithuania	LT	Samoa	WS
Algeria	DZ	El Salvador	SV	Luxembourg	LU	San Marino	SM
American Samoa	AS	Equatorial Guinea	GQ	Macao	MO	Sao Tome and Principe	ST
Andorra	AD	Eritrea	ER	Macedonia, the former Yugoslav Republic of	MK	Saudi Arabia	SA
Angola	AO	Estonia	EE	Madagascar	MG	Senegal	SN
Anguilla	AI	Ethiopia	ET	Malawi	MW	Serbia	RS
Antarctica	AQ	Falkland Islands (Malvinas)	FK	Malaysia	MY	Seychelles	SC
Antigua and Barbuda	AG	Faroe Islands	FO	Maldives	MV	Sierra Leone	SL
Argentina	AR	Fiji	FJ	Mali	ML	Singapore	SG
Armenia	AM	Finland	FI	Malta	MT	Sint Maarten (Dutch part)	SX
Aruba	AW	France	FR	Marshall Islands	MH	Slovakia	SK
Australia	AU	French Guiana	GF	Martinique	MQ	Slovenia	SI
Austria	AT	French Polynesia	PF	Mauritania	MR	Solomon Islands	SB
Azerbaijan	AZ	French Southern Territories	TF	Mauritius	MU	Somalia	SO
Bahamas	BS	Gabon	GA	Mayotte	YT	South Africa	ZA
Bahrain	BH	Gambia	GM	Mexico	MX	South Georgia and the South Sandwich Islands	GS
Bangladesh	BD	Georgia	GE	Micronesia, Federated States of	FM	South Sudan	SS
Barbados	BB	Germany	DE	Moldova, Republic of	MD	Spain	ES
Belarus	BY	Ghana	GH	Monaco	MC	Sri Lanka	LK
Belgium	BE	Gibraltar	GI	Mongolia	MN	Sudan	SD
Belize	BZ	Greece	GR	Montenegro	ME	Suriname	SR
Benin	BJ	Greenland	GL	Montserrat	MS	Svalbard and Jan Mayen	SJ
Bermuda	BM	Grenada	GD	Morocco	MA	Swaziland	SZ
Bhutan	BT	Guadeloupe	GP	Mozambique	MZ	Sweden	SE
Bolivia, Plurinational State of	BO	Guam	GU	Myanmar	MM	Switzerland	CH
Bonaire, Sint Eustatius and Saba	BQ	Guatemala	GT	Namibia	NA	Syrian Arab Republic	SY
Bosnia and Herzegovina	BA	Guernsey	GG	Nauru	NR	Taiwan, Province of China	TW
Botswana	BW	Guinea	GN	Nepal	NP	Tajikistan	TJ
Bouvet Island	BV	Guinea-Bissau	GW	Netherlands	NL	Tanzania, United Republic of	TZ
Brazil	BR	Guyana	GY	New Caledonia	NC	Thailand	TH
British Indian Ocean Territory	IO	Haiti	HT	New Zealand	NZ	Timor-Leste	TL
Brunei Darussalam	BN	Heard Island and McDonald Islands	HM	Nicaragua	NI	Togo	TG
Bulgaria	BG	Holy See (Vatican City State)	VA	Niger	NE	Tokelau	TK
Burkina Faso	BF	Honduras	HN	Nigeria	NG	Tonga	TO
Burundi	BI	Hong Kong	HK	Niue	NU	Trinidad and Tobago	TT
Cabo Verde	CV	Hungary	HU	Norfolk Island	NF	Tunisia	TN
Cambodia	KH	Iceland	IS	Northern Mariana Islands	MP	Turkey	TR
Cameroon	CM	India	IN	Norway	NO	Turkmenistan	TM
Canada	CA	Indonesia	ID	Oman	OM	Turks and Caicos Islands	TC
Cayman Islands	KY	Iran, Islamic Republic of	IR	Pakistan	PK	Tuvalu	TV
Central African Republic	CF	Iraq	IQ	Palau	PW	Uganda	UG
Chad	TD	Ireland	IE	Palestine, State of	PS	Ukraine	UA
Chile	CL	Isle of Man	IM	Panama	PA	United Arab Emirates	AE
China	CN	Israel	IL	Papua New Guinea	PG	United Kingdom	GB
Christmas Island	CX	Italy	IT	Paraguay	PY	United States	US
Cocos (Keeling) Islands	CC	Jamaica	JM	Peru	PE	United States Minor Outlying Islands	UM
Colombia	CO	Japan	JP	Philippines	PH	Uruguay	UY
Comoros	KM	Jersey	JE	Pitcairn	PN	Uzbekistan	UZ
Congo	CG	Jordan	JO	Poland	PL	Vanuatu	VU
Congo, the Democratic Republic of the	CD	Kazakhstan	KZ	Portugal	PT	Venezuela, Bolivarian Republic of	VE
Cook Islands	CK	Kenya	KE	Puerto Rico	PR	Viet Nam	VN
Costa Rica	CR	Kiribati	KI	Qatar	QA	Virgin Islands, British	VG
Cote d'Ivoire ICôte d'Ivoire	CI	Korea, Democratic People's Republic of	KP	Reunion IRéunion	RE	Virgin Islands, U.S.	VI
Croatia	HR	Korea, Republic of	KR	Romania	RO	Wallis and Futuna	WF
Cuba	CU	Kuwait	KW	Russian Federation	RU	Western Sahara	EH
Curacao ICuraçao	CW	Kyrgyzstan	KG	Rwanda	RW	Yemen	YE
Cyprus	CY	Lao People's Democratic Republic	LA	Saint Barthelemy ISaint Barthélemy	BL	Zambia	ZM
Czech Republic	CZ	Latvia	LV	Saint Helena, Ascension and Tristan da Cunha	SH	Zimbabwe	ZW
Denmark	DK	Lebanon	LB	Saint Kitts and Nevis	KN		
Djibouti	DJ	Lesotho	LS	Saint Lucia	LC		
Dominica	DM	Liberia	LR	Saint Martin (French part)	MF		

Annexure A1

CENTRAL KYC REGISTRY | Know Your Customer (KYC) Application Form | Individual | Correspondence / Local Address

Important Instructions:

A) Fields marked with "*" are mandatory fields.
B) Please fill the form in English and in BLOCK letters.
C) Please fill the date in DD-MM-YYYY format.
D) Please read section wise detailed guidelines / instructions at the end.
E) List of State / U.T code as per Indian Motor Vehicle Act, 1988 is available at the end.
F) List of two character ISO 3166 country codes is available at the end.
G) KYC number of applicant is mandatory for update application.
H) For particular section update, please tick (✓) in the box available before the section number and strike off the sections not required to be updated.



For office use only *(To be filled by financial institution)*
Application Type* ☐ New ☐ Update
KYC Number *(Mandatory for KYC update request)*

☐ 1. CORRESPONDENCE / LOCAL ADDRESS DETAILS (Please see instruction E at the end)

☐ Same as Current / Permanent / Overseas Address details

Line 1*
Line 2
Line 3 City / Town / Village*
District* Pin / Post Code* State / U.T Code* ISO 3166 Country Code*

☐ 2. CONTACT DETAILS (All communications will be sent on provided Mobile no./ Email-ID) (Please refer instruction F at the end)

Tel. (Off) – Tel. (Res) – Mobile –
FAX – Email ID

3. APPLICANT DECLARATION

- I hereby declare that the details furnished above are true and correct to the best of my knowledge and belief and I undertake to inform you of any changes therein, immediately. In case any of the above information is found to be false or untrue or misleading or misrepresenting, I am aware that I may be held liable for it.

Date : D D – M M – Y Y Y Y Place :

[Signature / Thumb Impression]
Signature / Thumb Impression of Applicant

Annexure B1

CENTRAL KYC REGISTRY | Know Your Customer (KYC) Application Form | Individual | Related Person

Important Instructions:

A) Fields marked with "*" are mandatory fields.
B) Please fill the form in English and in BLOCK letters.
C) Please fill the date in DD-MM-YYYY format.
D) Please read section wise detailed guidelines / instructions at the end.
E) List of State / U.T code as per Indian Motor Vehicle Act, 1988 is available at the end.
F) List of two character ISO 3166 country codes is available at the end.
G) KYC number of applicant is mandatory for update application.
H) For particular section update, please tick (✓) in the box available before the section number and strike of the sections not required to be updated.

CERSAI

For office use only
(To be filled by financial institution)
Application Type* ☐ New ☐ Update
KYC Number [ ] *(Mandatory for KYC update request)*

☐ 1. DETAILS OF RELATED PERSON (Please refer instruction G at the end)

☐ Addition of Related Person ☐ Deletion of Related Person KYC Number of Related Person (If available*) [ ]

Related Person Type* ☐ Guardian of Minor ☐ Assignee ☐ Authorized Representative

Name* Prefix [ ] First Name [ ] Middle Name [ ] Last Name [ ]

(If KYC number and name are provided, below details of section 1 are optional)

PROOF OF IDENTITY (PoI) OF RELATED PERSON* (Please see instruction (H) at the end)

☐ A- Passport Number [ ] Passport Expiry Date D D – M M – Y Y Y Y
☐ B- Voter ID Card [ ]
☐ C- PAN Card [ ]
☐ D- Driving Licence [ ] Driving Licence Expiry Date D D – M M – Y Y Y Y
☐ E- UID (Aadhaar) [ ]
☐ F- NREGA Job Card [ ]
☐ Z- Others (any document notified by the central government) [ ] Identification Number [ ]
☐ S- Simplified Measures Account - Document Type code [ ] Identification Number [ ]

2. APPLICANT DECLARATION

- I hereby declare that the details furnished above are true and correct to the best of my knowledge and belief and I undertake to inform you of any changes therein, immediately. In case any of the above information is found to be false or untrue or misleading or misrepresenting, I am aware that I may be held liable for it.

[Signature / Thumb Impression]

Signature / Thumb Impression of Applicant

Date : D D – M M – Y Y Y Y Place : [ ]

3. ATTESTATION / FOR OFFICE USE ONLY

Documents Received ☐ Certified Copies

KYC VERIFICATION CARRIED OUT BY		INSTITUTION DETAILS	
Date	D D – M M – Y Y Y Y	Name	
Emp. Name		Code	
Emp. Code			
Emp. Designation			
Emp. Branch			

[Employee Signature]

[Institution Stamp]

ANNEXURE I PART I

KNOW YOUR CLIENT (KYC) Application Form - *For Non Individuals*

☐ NEW ☐ CHANGE REQUEST (Please tick ✓ the appropriate) Acknowledgement No.

Please fill this form in ***ENGLISH*** and in ***BLOCK LETTERS***

(Please tick ✓ the box on left margin of appropriate row where ***CHANGE/CORRECTION*** is required and provide the details in the corresponding row)

A IDENTITY DETAILS

☐ 1. Name of the Applicant

☐ 2a. Date of incorporation / / 2b. Place of incorporation

☐ 3. Date of commencement of business / /

4a. PAN

☐ 4b. Registration No. (e.g. CIN)

☐ 5. Status (Please tick ✓ the appropriate)

☐ Private Limited Co.	☐ Public Ltd. Co.	☐ Body Corporate	☐ Partnership	☐ Trust
☐ Charities	☐ NGO's	☐ FI	☐ FII	☐ HUF
☐ AOP	☐ Bank	☐ Government Body	☐ Non-Government Organization	☐ Defense Establishment
☐ BOI	☐ Society	☐ LLP	☐ FPI - Category I	☐ FPI - Category II
☐ FPI - Category III	☐ Others (Please specify)			

B ADDRESS DETAILS

☐ 1. Address for Correspondence

City / Town / Village Pin Code

State Country

2. Specify the Proof of Address submitted for Correspondence Address:

☐ 3. Contact Details

Tel. (Off.) Fax

Tel. (Res.) Mobile No

E-Mail Id.

☐ 4. **Registered Address** (If different from above)

City / Town / Village Pin Code

State Country

C OTHER DETAILS (If space is insufficient, enclose these details separately [Illustrative format enclosed])

☐ 1. Name, PAN, residential address and photographs of Promoters/Partners/Karta/Trustees and whole time directors:

☐ 2a. DIN of whole time directors :

2b. Aadhar number of Promoters/Partners/Karta :

D DECLARATION

☐

I/We hereby declare that the details furnished above are true and correct to the best of my/our knowledge and belief and I/we undertake to inform you of any changes therein, immediately. In case any of the above information is found to be false or untrue or misleading or misrepresenting, I am/ we are aware that I/we may be held liable for it.

Date: / / Name & Signature of the Authorised Signatory

FOR OFFICE USE ONLY

In Person Verification (IPV) Details:

Name of the person who has done the IPV:

Designation: Employee ID:

Name of the Organization:

Date of IPV: / /

Signature of the person who has done the IPV Seal/Stamp of the Intermediary

☐ Originals Verified and Self Attested Document copies received

Date Signature of the Authorised Signatory

1. Name

2. Relationship with Applicant *(i.e. promoters, whole time directors etc.)*

PHOTOGRAPH

3a. PAN 3b. DIN

3c. Aadhar (UID) Number

4. Residential/ Registered Address

Please affix your recent passport size photograph and sign across it

City / Town / Village Pin Code

State Country

1. Name

2. Relationship with Applicant *(i.e. promoters, whole time directors etc.)*

PHOTOGRAPH

3a. PAN 3b. DIN

3c. Aadhar (UID) Number

4. Residential/ Registered Address

Please affix your recent passport size photograph and sign across it

City / Town / Village Pin Code

State Country

1. Name

2. Relationship with Applicant *(i.e. promoters, whole time directors etc.)*

PHOTOGRAPH

3a. PAN 3b. DIN

3c. Aadhar (UID) Number

4. Residential/ Registered Address

Please affix your recent passport size photograph and sign across it

City / Town / Village Pin Code

State Country

1. Name

2. Relationship with Applicant *(i.e. promoters, whole time directors etc.)*

PHOTOGRAPH

3a. PAN 3b. DIN

3c. Aadhar (UID) Number

4. Residential/ Registered Address

Please affix your recent passport size photograph and sign across it

City / Town / Village Pin Code

State Country

1. Name

2. Relationship with Applicant *(i.e. promoters, whole time directors etc.)*

PHOTOGRAPH

3a. PAN 3b. DIN

3c. Aadhar (UID) Number

4. Residential/ Registered Address

Please affix your recent passport size photograph and sign across it

City / Town / Village Pin Code

State Country

Name & Signature of the Authorised Signatory (ies)

Date:

INSTRUCTIONS/CHECK LIST FOR FILLING KYC FORM

A. IMPORTANT POINTS:

1. Self attested copy of PAN card is mandatory for all clients, including Promoters/Partners/Karta/Trustees and whole time directors and persons authorised to deal in securities on behalf of company/firm/others.
2. Copies of all the documents submitted by the applicant should be self-attested and accompanied by originals for verification. In case the original of any document is not produced for verification, then the copies should be properly attested by entities authorised for attesting the documents, as per the below mentioned list.
3. If any proof of identity or address is in a foreign language, then translation into English is required.
4. Name & address of the applicant mentioned on the KYC form, should match with the documentary proof submitted.
5. If correspondence & permanent address are different, then proofs for both have to be submitted.
6. Sole proprietor must make the application in his individual name & capacity.
7. For non-residents and foreign nationals, (allowed to trade subject to RBI and FEMA guidelines), copy of passport/PIO Card/OCI Card and overseas address proof is mandatory.
8. For foreign entities, CIN is optional; and in the absence of DIN no. for the directors, their passport copy should be given.
9. In case of Merchant Navy NRI's, Mariner's declaration or certified copy of CDC (Continuous Discharge Certificate) is to be submitted.
10. For opening an account with Depository participant or Mutual Fund, for a minor, photocopy of the School Leaving Certificate/Mark sheet issued by Higher Secondary Board/Passport of Minor/Birth Certificate must be provided.
11. Politically Exposed Persons (PEP) are defined as individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior Government/judicial/ military officers, senior executives of state owned corporations, important political party officials, etc.

Proof of Identity (POI): - List of documents admissible as Proof of Identity:

1. Unique Identification Number (UID) (Aadhaar)/ Passport/ Voter ID card/ Driving license.
2. PAN card with photograph.
3. Identity card/ document with applicant's Photo, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities, Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members; and Credit cards/Debit cards issued by Banks.

C. Proof of Address (POA): - List of documents admissible as Proof of Address:

("Documents having an expiry date should be valid on the date of submission.)

1. Passport/Voters Identity Card/Ration Card/Unique Identification Number (UID)/ Aadhar Letter/Registered lease or Sale Agreement of Residence/Driving License/ Flat Maintenace bill/Insurance Copy.
2. Utility bills like Telephone Bill (only land line), Electricity bill or Gas bill - Not more than 3 months old.
3. Bank Account Statement/Passbook – Not more than 3 months old.
4. Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.
5. Proof of address issued by any of the following: Bank Managers of Scheduled Commercial Banks/Scheduled Co-Operative Bank/Multinational Foreign Banks/Gazetted Officer/Notary public/Elected representatives to the Legislative Assembly/Parliament/Documents issued by any Govt. or Statutory Authority.
6. Identity card/document with address, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities and Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members.
7. For FII/sub account, Power of Attorney given by FII/sub-account to the Custodians (which are duly notarized and/or apostiled or consularised) that gives the registered address should be taken.
8. The proof of address in the name of the spouse may be accepted.

D. Exemptions/clarifications to PAN

(*Sufficient documentary evidence in support of such claims to be collected.)

1. In case of transactions undertaken on behalf of Central Government and/or State Government and by officials appointed by Courts e.g. Official liquidator, Court receiver etc.
2. Investors residing in the state of Sikkim.
3. UN entities/multilateral agencies exempt from paying taxes/filing tax returns in India.
4. SIP of Mutual Funds upto Rs 50, 000/- p.a.
5. In case of institutional clients, namely, FIIs, MFs, VCFs, FVCIs, Scheduled Commercial Banks, Multilateral and Bilateral Development Financial Institutions, State Industrial Development Corporations, Insurance Companies registered with IRDA and Public Financial Institution as defined under section 4A of the Companies Act, 1956, Custodians shall verify the PAN card details with the original PAN card and provide duly certified copies of such verified PAN details to the intermediary.

E. List of people authorised to attest the documents:

1. Notary Public, Gazetted Officer, Manager of a Scheduled Commercial/ Co-operative Bank or Multinational Foreign Banks (Name, Designation & Seal should be affixed on the copy).
2. In case of NRIs, authorised officials of overseas branches of Scheduled Commercial Banks registered in India, Notary Public, Court Magistrate, Judge, Indian Embassy /Consulate General in the country where the client resides are permitted to attest the documents.

F. In case of Non-Individuals, additional documents to be obtained from non-individuals, over & above the POI & POA, as mentioned below:

Types of entity	Documentary requirements
Corporate	☐ Copy of the balance sheets for the last 2 financial years (to be submitted every year). ☐ Copy of latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/Whole time director/MD (to be submitted every year). ☐ Photograph, POI, POA, PAN and DIN numbers of whole time directors/two directors in charge of day to day operations. ☐ Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly. ☐ Copies of the Memorandum and Articles of Association and certificate of incorporation. ☐ Copy of the Board Resolution for investment in securities market. ☐ Authorised signatories list with specimen signatures.
Partnership firm	☐ Copy of the balance sheets for the last 2 financial years (to be submitted every year). ☐ Certificate of registration (for registered partnership firms only). ☐ Copy of partnership deed. ☐ Authorised signatories list with specimen signatures. ☐ Photograph, POI, POA, PAN of Partners.
Trust	☐ Copy of the balance sheets for the last 2 financial years (to be submitted every year). ☐ Certificate of registration (for registered trust only). ☐ Copy of Trust deed. ☐ List of trustees certified by managing trustees/CA. ☐ Photograph, POI, POA, PAN of Trustees.
HUF	☐ PAN of HUF. ☐ Deed of declaration of HUF/ List of coparceners. ☐ Bank pass-book/bank statement in the name of HUF. ☐ Photograph, POI, POA, PAN of Karta.
Unincorporated association or a body of individuals	☐ Proof of Existence/Constitution document. ☐ Resolution of the managing body & Power of Attorney granted to transact business on its behalf. ☐ Authorised signatories list with specimen signatures.
Banks/ Institutional Investors	☐ Copy of the constitution/registration or annual report/balance sheet for the last 2 financial years. ☐ Authorised signatories list with specimen signatures.
Foreign Institutional Investors (FII)	☐ Copy of SEBI registration certificate. ☐ Authorised signatories list with specimen signatures.
Army/ Government Bodies	☐ Self-certification on letterhead. ☐ Authorised signatories list with specimen signatures.
Registered Society	☐ Copy of Registration Certificate under Societies Registration Act. ☐ List of Managing Committee members. ☐ Committee resolution for persons authorised to act as authorised signatories with specimen signatures. ☐ True copy of Society Rules and Bye Laws certified by the Chairman/Secretary.

Annexure – 1
Part - II

For Individuals

PHOTOGRAPH
Please affix Authorized Signatories recent passport size photographs and sign across it

Please fill this form in ENGLISH and in BLOCK LETTERS.

A. OTHER DETAILS

1. **Gross Annual Income Details (please specify):** Income Range per annum: Below Rs 1 Lac / 1-5 Lac /5-10 Lac / 10-25 Lac / >25 Lacs or

Net-worth as on (date)_____(_____) **(Net worth should not be older than 1 year)**

2. **Occupation (please tick any one and give brief details):** Private Sector/ Public Sector/ Government Service/Business/ Professional/ Farmer/ Others (Specify)

_____

3. **Please tick, as applicable:** Politically Exposed Person (PEP)/ Related to a Politically Exposed Person (PEP)

Not a Politically Exposed Person (PEP)/ Not Related to a Politically Exposed Person (PEP)

B. BANK ACCOUNT(S) DETAILS

Bank Name	Branch address	Bank account no.	Account Type: Saving/Current/ Others	MICR Number	IFSC code

Note: Provide a copy of cancelled cheque leaf/ pass book/bank statement specifying name of the client, MICR Code or/and IFSC Code of the bank.

C. DEPOSITORY ACCOUNT(S) DETAILS, If available

Depository Participant Name	Depository Name (NSDL/CDSL)	Beneficiary name	DP ID	Beneficiary ID (BO ID)

Note: Provide a copy of either Demat Master or a recent holding statement issued by DP bearing name of the client.

D. TRADING PREFERENCES

Note: Please sign in the relevant boxes against the Exchange with which you wish to trade. The Exchange not chosen should be struck off by the client.

Sr. No.	Name of the National Commodity Exchanges #	Date of Consent for trading on concerned Exchange	Signature of the Client
1			
2			
3			
4			
5			

6			
7			
8			
9			

At the time of printing the form; the Member must specify the names of the Exchanges where the Member has membership.

[In case of allowing a client for trading on any other Exchange at a later date, which is not selected now, a separate consent letter is required to be obtained by the Member from client and to be kept as enclosure with this document]

E. INVESTMENT/TRADING EXPERIENCE

- No Prior Experience
- _____Years in Commodities
- _____Years in other investment related fields

F. SALES TAX REGISTRATION DETAILS (As applicable, State wise)

- Local Sales Tax State Registration No. : _____
- Validity Date : _____
- Name of the State : _____
- Central Sales Tax Registration No : _____
- Validity Date : _____
- Other Sales Tax State Registration No. : _____
- Validity Date : _____
- Name of the State : _____

G. VAT DETAILS (As applicable, State wise)

- Local VAT Registration No. : _____
- Validity Date : _____
- Name of the State : _____
- Other VAT Registration No. : _____
- Name of the State : _____
- Validity Date : _____

H. PAST REGULATORY ACTIONS

- Details of any action/proceedings initiated/pending/ taken by FMC/ SEBI / Stock exchange / Commodity exchange/any other authority against the client during the last 3 years:

_____

I. DEALINGS THROUGH OTHER MEMBERS

- If client is dealing through any other Member, provide the following details (In case dealing with multiple Members, provide details of all in a separate sheet containing all the information as mentioned below):

Member's / Authorized Person (AP)'s Name: _____
Exchange:_____
Exchange's Registration number: _____
Concerned Member's Name with whom the AP is registered: _____
Registered office address: _____

Ph:
_____ Fax: _____Email: _____Website:_____
Client Code: _____
Details of disputes/dues pending from/to such Member/AP: _____

J. INTRODUCER DETAILS (optional)

Name of the Introducer: _____
(Surname) (Name) (Middle Name) Status of the Introducer: Authorized Person/Existing Client/Others, please specify_____ Address and phone no. of the Introducer:_____
Signature of the Introducer_____

K. ADDITIONAL DETAILS

- Whether you wish to receive communication from Member in electronic form on your Email-Id [Yes / No] :

{ If yes then please fill in Appendix-A}

L. NOMINATION DETAILS

I/We wish to nominate I/ We do not wish to nominate
Name of the Nominee: _____Relationship with the Nominee: _____
PAN of Nominee: _____Date of Birth of Nominee: _____
Address and phone no. of the Nominee: _____

If Nominee is a minor, details of guardian:
Name of guardian: _____ Address and phone no. of Guardian: _____
Signature of guardian _____

WITNESSES (Only applicable in case the account holder has made nomination)

Name _____	Name _____
Signature _____	Signature _____
Address _____	Address _____

DECLARATION

1. I/We hereby declare that the details furnished above are true and correct to the best of my/our knowledge and belief and I/we undertake to inform you of any change therein, immediately. In case any of the above information is found to be false or untrue or misleading or misrepresenting, I am/we are aware that I/we may be held liable for it.

2. I/We confirm having read/been explained and understood the contents of the tariff sheet and all voluntary/non-mandatory documents.

3. I/We further confirm having read and understood the contents of the 'Rights and Obligations' document(s), 'Risk Disclosure Document' and 'Do's and Dont's'. I/We do hereby agree to be bound by such provisions as outlined in these documents. I/We have also been informed that the standard set of documents has been displayed for information on Member's designated website, if any.

Place_____ (_____)
Date _____ Signature of Client

FOR OFFICE USE ONLY

UCC Code allotted to the Client: _____

	Documents verified with Originals
Name of the Employee	
Employee Code	
Designation of the employee	
Date	
Signature	

I / We undertake that we have made the client aware of tariff sheet and all the voluntary/non-mandatory documents. I/We have also made the client aware of 'Rights and Obligations' document (s), RDD, 'Do's and Dont's' and Guidance Note. I/We have given/sent him a copy of all the KYC documents. I/We undertake that any change in the tariff sheet and all the voluntary/non-mandatory documents would be duly intimated to the clients. I/We also undertake that any change in the 'Rights and Obligations' and RDD would be made available on my/our website, if any, for the information of the clients.

Signature of the Authorised Signatory

Date _____

Seal/Stamp of the Member

Annexure – 1
Part - II

PHOTOGRAPH

Please affix Authorized Signatories recent passport size photographs and sign across it

For Non-Individuals

Please fill this form in ENGLISH and in BLOCK LETTERS.

A. OTHER DETAILS

1. **Gross Annual Income Details (please specify):** Income Range per annum: Below Rs 1 Lac / 1-5 Lac /5-10 Lac / 10-25 Lac / 25 Lacs-1 crore/ > 1 crore

2. **Net-worth as on (date)** _____(dd/mm/yyyy): _____ *(*Net worth should not be older than 1 year)*

3. **Name, PAN, residential address and photographs of Promoters/Partners/Karta/Trustees and whole time directors**_____

* If you have a landline connection, kindly provide the same

B. BANK ACCOUNT(S) DETAILS

Bank Name	Branch address	Bank account no.	Account Type: Saving/Current/ Others	MICR Number	IFSC code

Note: Provide a copy of cancelled cheque leaf/ pass book/bank statement specifying name of the client, MICR Code or/and IFSC Code of the bank.

C. DEPOSITORY ACCOUNT(S) DETAILS, if available

Depository Participant Name	Depository Name (NSDL/CDSL)	Beneficiary name	DP ID	Beneficiary ID (BO ID)

Note: Provide a copy of either Demat Master or a recent holding statement issued by DP bearing name of the client.

D. TRADING PREFERENCES

Note: Please sign in the relevant boxes against the Exchange with which you wish to trade. The Exchange not chosen should be struck off by the client.

Sr. No.	Name of the National Commodity Exchanges #	Date of Consent for trading on concerned Exchange	Signature of the Client
1			
2			
3			
4			
5			
6			
7			

8			
9			

 # At the time of printing the form, the Member must specify the names of the Exchanges where the Member has membership.

[In case of allowing a client for trading on any other Exchange at a later date, which is not selected now, a separate consent letter is required to be obtained by the Member from client and to be kept as enclosure with this document]

E. INVESTMENT/TRADING EXPERIENCE

- No Prior Experience
- _____Years in Commodities
- _____Years in other investment related fields

F. SALES TAX REGISTRATION DETAILS (As applicable, State wise)

- Local Sales Tax State Registration No. :_____
- Validity Date :_____
- Name of the State :_____
- Central Sales Tax Registration No :_____
- Validity Date :_____
- Other Sales Tax State Registration No. :_____
- Validity Date :_____
- Name of the State :_____

G. VAT DETAILS (As applicable, State wise)

- Local VAT Registration No. :_____
- Validity Date :_____
- Name of the State :_____
- Other VAT Registration No. :_____
- Name of the State :_____
- Validity Date :_____
-

H. PAST REGULATORY ACTIONS

- Details of any action/proceedings initiated/pending/ taken by FMC/ SEBI / Stock exchange / Commodity exchange/any other authority against the client or its Partners/promoters/whole time directors/authorized persons in charge during the last 3 years:

_____

I. DEALINGS THROUGH OTHER MEMBERS

- If client is dealing through any other Member. provide the following details (incase dealing with multiple Members/APs, provide details of all in a separate sheet containing all the information as mentioned below) :

Member's / AP's Name: _____
Exchange: _____
Exchange's Registration number: _____
Concerned Member's Name with whom the AP is registered: _____
Registered office address: _____
Ph:_____ Fax: _____ Email: _____Website:_____
Client Code: _____
Details of disputes/dues pending from/to such Member/AP: _____

J. INTRODUCER DETAILS (optional)

Name of the Introducer: _____
(Surname) (Name) (Middle Name)
Status of the Introducer: Authorized Person/Existing Client/Others,
please specify _____ Address and phone no. of the Introducer: _____
Signature of the Introducer:_____

K. ADDITIONAL DETAILS

- Whether you wish to receive communication from Member in electronic form on your Email-id [Yes / No] :

(If yes then fill in Appendix-A)

DECLARATION

1. I/We hereby declare that the details furnished above are true and correct to the best of my/our knowledge and belief and I/we undertake to inform you of any changes therein, immediately. In case any of the above information is found to be false or untrue or misleading or misrepresenting, I am/we are aware that I/we may be held liable for it.

2. I/We confirm having read/been explained and understood the contents of the tariff sheet and all voluntary/non-mandatory documents.

3. I/We further confirm having read and understood the contents of the 'Rights and Obligations' document(s), 'Risk Disclosure Document' and 'Do's and Dont's'. I/We do hereby agree to be bound by such provisions as outlined in these documents. I/We have also been informed that the standard set of documents has been displayed for Information on Member's designated website, if any.

Place _____ (_____)
Date –_____ **Signature of (all) Authorized Signatory (ies)***

*Form need to be signed by all the authorized signatories.

FOR OFFICE USE ONLY

UCC Code allotted to the Client: _____

	Documents verified with Originals
Name of the Employee	
Employee Code	
Designation of the employee	
Date	
Signature	

I / We undertake that we have made the client aware of tariff sheet and all the voluntary/non-mandatory documents. I/We have also made the client aware of 'Rights and Obligations' document (s), RDD, 'Do's and Dont's' and Guidance Note. I/We have given/sent him a copy of all the KYC documents. I/We undertake that any change in the tariff sheet and all the voluntary/non-mandatory documents would be duly intimated to the clients. I/We also undertake that any change in the 'Rights and Obligations' and RDD would be made available on my/our website, if any, for the information of the clients.

Signature of the Authorised Signatory

Date _____

Seal/Stamp of the Member

INSTRUCTIONS/CHECK LIST FOR FILLING KYC FORM

A. IMPORTANT POINTS:

1. Self-attested copy of PAN card is mandatory for all clients, including Promoters/Partners/Karta/Trustees and whole time directors and persons authorized to deal in commodity derivatives on behalf of company/firm/others.
2. Copies of all the documents submitted by the applicant should be self-attested and accompanied by originals for verification. In case the original of any document is not produced for verification, then the copies should be properly attested by entities authorized for attesting the documents, as per the below mentioned list.
3. If any proof of Identity or address is in a regional language, then translation into English is required.
4. Name & address of the applicant mentioned on the KYC form, should match with the documentary proof submitted.
5. If correspondence & permanent address are different, then proofs for both have to be submitted.
6. Sole proprietor must make the application in his individual name & capacity.
7. For non-residents and foreign nationals, (allowed to trade subject to RBI and FIPB/FEMA guidelines and other applicable statutory approvals), copy of passport/PIO Card/OCI Card and overseas address proof is mandatory.
8. For foreign entities, CIN is optional; and in the absence of DIN no. for the directors, their passport copy should be given.
9. In case of Merchant Navy NRI's, Mariner's declaration or certified copy of CDC (Continuous Discharge Certificate) is to be submitted along with other statutory approvals required for investment in commodities.
10. Politically Exposed Persons (PEP) are defined as individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior Government/judicial/ military officers, senior executives of state owned corporations, important political party officials, etc.

B. Proof of Identity (POI): - *List of documents admissible as Proof of Identity:*

1. Unique Identification Number (UID) (Aadhaar)/ Passport/ Voter ID card/ Driving license.
2. PAN card with photograph.
3. Identity card issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities, Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members; and Credit cards/Debit cards issued by Banks.

C. Proof of Address (POA): - *List of documents admissible as Proof of Address:*
(Note: Documents having an expiry date should be valid on the date of submission.)

1. Passport/ Voters Identity Card/ Ration Card/ Registered Lease or Sale Agreement of Residence/ Driving License/ Flat Maintenance bill/ Insurance Copy.
2. Utility bills like Telephone Bill (only land line), Electricity bill or Gas bill - Not more than 3 months old.
3. Bank Account Statement/Passbook -- Not more than 3 months old.
4. Proof of address issued by any of the following: Bank Managers of Scheduled Commercial Banks/Scheduled Co-Operative Bank/Multinational Foreign Banks/Gazetted Officer/Notary public/Elected representatives to the Legislative Assembly/Parliament/Documents issued by any Govt. or Statutory Authority.
5. Identity card/document with address, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges

affiliated to Universities and Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members.

6 The proof of address in the name of the spouse may be accepted.

D. Exemptions to PAN

(Note: Sufficient documentary evidence in support of such claims to be collected.)

1. Transactions undertaken on behalf of Central Government and/or State Government and by officials appointed by Courts e.g. Official liquidator, Court receiver etc.
2. Investors residing in the State of Sikkim (subject to the continued exemption granted by Government).

E. List of people authorized to attest the documents:

1. Notary Public, Gazetted Officer, Manager of a Scheduled Commercial/ Co-operative Bank or Multinational Foreign Banks (Name, Designation & Seal should be affixed on the copy).
2. In case of NRIs, authorized officials of overseas branches of Scheduled Commercial Banks registered in India, Notary Public, Court Magistrate, Judge, Indian Embassy /Consulate General in the country where the client resides are permitted to attest the documents.

F. In case of Non-Individuals, additional documents to be obtained from non-individuals, over & above the POI & POA, as mentioned below:

Types of entity	Documentary requirements
Corporate	• Copy of the balance sheets for the last 2 financial years (to be submitted every year). • Copy of latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/Whole time director/MD (to be submitted every year). • Photograph, POI, POA, PAN and DIN numbers of whole time directors/two directors in charge of day to day operations. • Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly. • Copies of the Memorandum and Articles of Association and certificate of Incorporation. • Copy of the Board Resolution for investment in commodity market. Copy of Board Resolution or declaration (on the letterhead) naming the persons authorized to deal in commodity derivatives on behalf of
Partnership firm	• Copy of the balance sheets for the last 2 financial years (to be submitted every year). • Certificate of registration (for registered partnership firms only). Copy of partnership deed. • Authorised signatories list with specimen signatures. Photograph, POI, POA, PAN of
Trust	• Copy of the balance sheets for the last 2 financial years (to be submitted every year). • Certificate of registration (for registered trust only). Copy of Trust deed. • List of trustees certified by managing trustees/CA. Photograph, POI, POA, PAN of
HUF	• PAN of HUF. • Deed of declaration of HUF & List of coparceners. Bank pass-book/bank statement in the name of HUF. Photograph, POI, POA, PAN of Karta.

Government Bodies	• Self-certification on letterhead. • Authorized signatories list with specimen signatures.
Registered Society	• Copy of Registration Certificate under Societies Registration Act. List of Managing Committee members. • Committee resolution for persons authorised to act as authorised signatories with specimen signatures. • True copy of Society Rules and Bye Laws certified by the Chairman/Secretary

Annexure–2

RISK DISCLOSURE DOCUMENT

The Exchange does not expressly or impliedly, guarantee nor make any representation concerning the completeness, the adequacy or accuracy of this disclosure documents nor has the Exchange endorsed or passed any merits of participating in the Commodity Derivatives /trading. This brief statement does not disclose all of the risks and other significant aspects of trading. You should, therefore, study derivatives trading carefully before becoming involved in it.

In the light of the risks involved, you should undertake transactions only if you understand the nature of the contractual relationship into which you are entering and the extent of your exposure to risk.

You must know and appreciate that investment in commodity futures contracts/ derivatives or other instruments traded on the Commodity Exchange(s), which have varying element of risk, is generally not an appropriate avenue for someone of limited resources/ limited investment and/ or trading experience and low risk tolerance. You should, therefore, carefully consider whether such trading is suitable for you in the light of your financial condition. In case, you trade on the Exchange and suffer adverse consequences or loss, you shall be solely responsible for the same and the Exchange shall not be responsible, in any manner whatsoever, for the same and it will not be open for you to take the plea that no adequate disclosure regarding the risks involved was made or that you were not explained the full risk involved by the concerned member. The Client shall be solely responsible for the consequences and no contract can be rescinded on that account.

You must acknowledge and accept that there can be no guarantee of profits or no exception from losses while executing orders for purchase and/or sale of a commodity derivatives being traded on the Exchange.

It must be clearly understood by you that your dealings on the Exchange through a member shall be subject to your fulfilling certain formalities set out by the member, which may, *inter alia,* include your filing the know your client form and are subject to Rules, Byelaws and Business Rules of the Exchange guidelines prescribed by SEBI from time to time and circulars as may be issued by the Exchange from time to time.

The Exchange does not provide or purport to provide any advice and shall not be liable to any person who enters into any business relationship with any member of the Exchange and/ or third party based on any information contained in this document. Any information contained in this document must not be construed as business advice/investment advice. No consideration to trade should be made without thoroughly understanding and reviewing the risks involved in such trading. If you are unsure, you must seek professional advice on the same.

In considering whether to trade, you should be aware of or must get acquainted with the following:-

1. **Basic Risks involved in the trading of Commodity Futures Contracts and other Commodity Derivatives Instruments on the Exchange.**

   i. **Risk of Higher Volatility**

   Volatility refers to the dynamic changes in price that commodity derivative contracts undergo when trading activity continues on the Commodity Exchange. Generally,

higher the volatility of a commodity derivatives contract, greater is its price swings. There may be normally greater volatility in thinly traded commodity derivatives contracts than in actively traded commodities/ contracts. As a result of volatility, your order may only be partially executed or not executed at all, or the price at which your order got executed may be substantially different from the last traded price or change substantially thereafter, resulting in real losses.

ii. Risk of Lower Liquidity

a. Liquidity refers to the ability of market participants to buy and/ or sell commodity derivative contract expeditiously at a competitive price and with minimal price difference. Generally, it is assumed that more the number of orders available in a market, greater is the liquidity. Liquidity is important because with greater liquidity, it is easier for investors to buy and/ or sell commodity derivatives contracts swiftly and with minimal price difference and as a result, investors are more likely to pay or receive a competitive price for commodity derivative contracts purchased or sold. There may be a risk of lower liquidity in some commodity derivative contracts as compared to active commodity derivative contracts. As a result, your order may only be partially executed, or may be executed with relatively greater price difference or may not be executed at all.

b. Buying/ Selling without intention of giving and/ or taking delivery of certain commodities may also result into losses, because in such a situation, commodity derivative contracts may have to be squared-off at a low/ high prices, compared to the expected price levels, so as not to have any obligation to deliver/ receive such commodities.

iii. Risk of Wider Spreads

a. Spread refers to the difference in best buy price and best sell price. It represents the differential between the price of buying a commodity derivative and immediately selling it or *vice versa*. Lower liquidity and higher volatility may result in wider than normal spreads for less liquid or illiquid commodities/ commodity derivatives contracts. This in turn will hamper better price formation.

iv. Risk-reducing orders

a. Most of the Exchanges have a facility for investors to place “limit orders”, “stop loss orders” etc. Placing of such orders (e.g. “stop loss” orders or “limit” orders) which are intended to limit losses to certain amounts may not be effective many a time because rapid movement in market conditions may make it impossible to execute such orders.

b. A “market” order will be executed promptly, subject to availability of orders on opposite side, without regard to price and that while the customer may receive a prompt execution of a “market” order, the execution may be at available prices of outstanding orders, which satisfy the order quantity, on price time priority. It may be understood that these prices may be significantly different from the last traded price or the best price in that commodity derivatives contract.

c. A “limit” order will be executed only at the “limit” price specified for the order or a better price. However, while the client received price protection, there is a possibility that the order may not be executed at all.

d. A stop loss order is generally placed "away" from the current price of a commodity derivatives contract, and such order gets activated if and when the contract reaches, or trades through, the stop price. Sell stop orders are entered ordinarily below the current price, and buy stop orders are entered ordinarily above the current price. When the contract approaches pre-determined price, or trades through such price, the stop loss order converts to a market/limit order and is executed at the limit or better. There is no assurance therefore that the limit order will be executable since a contract might penetrate the pre-determined price, in which case, the risk of such order not getting executed arises, just as with a regular limit order.

v. Risk of News Announcements

a. Traders/Manufacturers make news announcements that may impact the price of the commodities and/or commodity derivatives contracts. These announcements may occur during trading and when combined with lower liquidity and higher volatility may suddenly cause an unexpected positive or negative movement in the price of the commodity/ commodity derivatives contract.

vi. Risk of Rumours

a. Rumours about the price of a commodity at times float in the market through word of mouth, newspaper, websites or news agencies, etc., the investors should be wary of and should desist from acting on rumours.

vii. System Risk

a. High volume trading will frequently occur at the market opening and before market close. Such high volumes may also occur at any point in the day. These may cause delays in order execution or confirmation.

b. During periods of volatility, on account of market participants continuously modifying their order quantity or prices or placing fresh orders, there may be delays in execution of order and its confirmation.

c. Under certain market conditions, it may be difficult or impossible to liquidate a position in the market at a reasonable price or at all, when there are no outstanding orders either on the buy side or the sell side, or if trading is halted in a commodity due to any action on account of unusual trading activity or price hitting circuit filters or for any other reason.

viii. System/ Network Congestion

a. Trading on the Exchange is in electronic mode, based on satellite/ leased line communications, combination of technologies and computer systems to place and

route orders. Thus, there exists a possibility of communication failure or system problems or slow or delayed response from system or trading halt, or any such other problem/glitch whereby not being able to establish access to the trading system/network, which may be beyond the control of and may result in delay in processing or not processing buy or sell orders either in part or in full. You are cautioned to note that although these problems may be temporary in nature, but when you have outstanding open positions or unexecuted orders, these represent a risk because of your obligations to settle all executed transactions.

2. As far as Futures Commodity Derivatives are concerned, please note and get yourself acquainted with the following additional features:-

2.1 Effect of "Leverage" or "Gearing":

a. The amount of margin is small relative to the value of the commodity derivatives contract so the transactions are 'leveraged' or 'geared'. Commodity Derivatives trading, which is conducted with a relatively small amount of margin, provides the possibility of great profit or loss in comparison with the principal investment amount. But transactions in commodity derivatives carry a high degree of risk. You should therefore completely understand the following statements before actually trading in commodity derivatives contracts and also trade with caution while taking into account one's circumstances, financial resources, etc.

b. Trading in Futures Commodity Derivatives involves daily settlement of all positions. Every day the open positions are marked to market based on the closing price. If the closing price has moved against you, you will be required to deposit the amount of loss (notional) resulting from such movement. This margin will have to be paid within a stipulated time frame, generally before commencement of trading on the next day.

c. If you fail to deposit the additional margin by the deadline or if an outstanding debt occurs in your account, the Member of the Exchange may liquidate/square-up a part of or the whole position. In this case, you will be liable for any losses incurred due to such square-up/ Close Outs.

d. Under certain market conditions, an Investor may find it difficult or impossible to execute the transactions. For example, this situation can occur due to factors such as illiquidity i.e. when there are insufficient bids or offers or suspension of trading due to price limit or circuit breakers etc.

e. Steps, such as, changes in the margin rate, increase in the cash margin rate etc. may be adopted in order to maintain market stability. These new measures may be applied to the existing open interests. In such conditions, you will be required to put up additional margins or reduce your positions.

f. You must ask your Member of the Exchange to provide the full details of the commodity derivatives contracts you plan to trade i.e. the contract specifications and the associated obligations.

3. TRADING THROUGH WIRELESS TECHNOLOGY OR ANY OTHER TECHNOLOGY:

Any additional provisions defining the features, risks, responsibilities, obligations and liabilities associated with commodities trading through wireless technology or any other technology should be brought to the notice of the client by the member.

4. General

i. Deposited cash and property:

You should familiarize yourself with the protections accorded to the money or other property you deposit particularly in the event of a firm become insolvent or bankrupt. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property, which has been specifically identifiable as your own, will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall. In case of any dispute with the Member of the Exchange, the same shall be subject to arbitration as per the Rules, Bye-laws and Business Rules of the Exchange.

ii. Commission and other charges:

Before you begin to trade, you should obtain a clear explanation of all commissions, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

iii. For rights and obligations of the Members/Authorised Persons/ clients, please refer to *Annexure 3*

iv. The term 'Constituent' shall mean and include a Client, a Customer or an Investor, who deals with a member for the purpose of trading in the commodity derivatives through the mechanism provided by the Exchange.

v. The term 'member' shall mean and include a Trading Member or a Member/Broker, who has been admitted as such by the Exchange and got a registration certificate from SEBI.

Additional Risk Disclosure documents for Options Trading

Risk of Option holders:

1. An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time. This risk reflects the nature of an option as a wasting asset which becomes worthless when it expires. An option holder who neither sells his option in the secondary market nor exercises it prior to its expiration will necessarily lose his entire investment in the option. If the price of the underlying does not change in the anticipated direction before the option expires, to an extent sufficient to cover the cost of the option, the investor may lose all or a significant part of his investment in the option.

2. The Exchanges may impose exercise restrictions and have absolute authority to restrict the exercise of options at certain times in specified circumstances.

Risks of Option Writers:

1. If the price movement of the underlying is not in the anticipated direction, the option writer runs the risks of losing substantial amount.

2. The risk of being an option writer may be reduced by the purchase of other options on the same underlying interest and thereby assuming a spread position or by acquiring other types of hedging positions in the options markets or other markets. However, even where the writer has assumed a spread or other hedging position, the risks may still be significant. A spread position is not necessarily less risky than a simple 'long' or 'short' position.

3. Transactions that involve buying and writing multiple options in combination, or buying or writing options in combination with buying or selling short the underlying interests, present additional risks to investors. Combination transactions, such as option spreads, are more complex than buying or writing a single option. And it should be further noted that, as in any area of investing, a complexity not well understood is, in itself, a risk factor. While this is not to suggest that combination strategies should not be considered, it is advisable, as is the case with all investments in options, to consult with someone who is experienced and knowledgeable with respect to the risks and potential rewards of combination transactions under various market circumstances.



; (of KYC Document)

RIGHTS AND OBLIGATIONS OF MEMBERS, AUTHORIZED PERSONS AND CLIENTS

as *prescribed by SEBI and Commodity Exchanges*

1. The client shall invest/trade in those commodities /contracts/other instruments admitted to dealings on the Exchanges as defined in the Rules, Byelaws and Business Rules/ Regulations of Exchanges/SEBI and circulars/notices issued there under from time to time.

2. The Member, Authorized Person and the client shall be bound by all the Rules, Byelaws and Business Rules of the Exchange and circulars/notices issued there under and Rules and Regulations of SEBI and relevant notifications of Government authorities as may be in force from time to time.

3. The client shall satisfy himself of the capacity of the Member to deal in commodities and/or deal in derivatives contracts and wishes to execute its orders through the Member and the client shall from time to time continue to satisfy itself of such capability of the Member before executing orders through the Member.

4. The Member shall continuously satisfy itself about the genuineness and financial soundness of the client and investment objectives relevant to the services to be provided.

5. The Member shall take steps to make the client aware of the precise nature of the Member's liability for business to be conducted, including any limitations, the liability and the capacity in which the Member acts.

6. Requirements of professional diligence

    a. The Member must exercise professional diligence while entering into a financial contract or discharging any obligations under it.

    b. "professional diligence" means the standard of skill and care that a Member would be reasonably expected to exercise towards a Client, commensurate with-

        i. honest market practice;
        ii. the principle of good faith;
        iii. level of knowledge, experience and expertise of the Client;
        iv. the nature and degree of risk embodied in the financial product* or financial service being availed by the Client; and
        v. the extent of dependence of the Client on the Member.

    *Commodity derivative contract

7. The Authorized Person shall provide necessary assistance and co-operate with the Member in all its dealings with the client(s).

CLIENT INFORMATION

8. The client shall furnish all such details in full as are required by the Member in "Account Opening Form" with supporting details, made mandatory by commodity exchanges/SEBI from time to time.

9. The client shall familiarize himself with all the mandatory provisions in the Account Opening documents. Any additional clauses or documents specified by the Member shall be non-mandatory; therefore, subject to specific acceptance by the client.

10. The client shall immediately notify the Member in writing if there is any change in the information in the 'account opening form' as provided at the time of account opening and thereafter; including the information on winding up petition/insolvency petition or any

litigation which may have material bearing on his capacity. The client shall provide/update the financial information to the Member on a periodic basis.

11. A. Protection from unfair terms in financial contracts**

a. An unfair term of a non-negotiated contract will be void.

b. A term is unfair if it –

i. causes a significant imbalance in the rights and obligations of the parties under the financial contract, to the detriment of the Client; and

ii. is not reasonably necessary to protect the legitimate interests of the Member.

c. The factors to be taken into account while determining whether a term is unfair, include –

i. the nature of the financial product or financial service dealt with under the financial contract;

ii. the extent of transparency of the term;

**contracts offered by commodity exchanges

iii. the extent to which the term allows a Client to compare it with other financial contracts for similar financial products or financial services; and

iv. the financial contract as a whole and the terms of any other contract on which it is dependent.

d. A term is transparent if it –

i. is expressed in reasonably plain language that is likely to be understood by the Client;

ii. is legible and presented clearly; and

iii. is readily available to the Client affected by the term.

e. If a term of a financial contract is determined to be unfair under point 11.A.c, the parties will continue to be bound by the remaining terms of the financial contract to the extent that the financial contract is capable of enforcement without the unfair term.

11.B.

a. "Non-negotiated contract" means a contract whose terms, other than the terms contained in point 11.C. (given below) are not negotiated between the parties to the financial contract and includes –

i. a financial contract in which, relative to the Client, the Member has a substantially greater bargaining power in determining terms of the financial contract; and

ii. a standard form contract.

b. "Standard form contract" means a financial contract that is substantially not negotiable for the Client, except for the terms contained in point 11.C.

c. Even if some terms of a financial contract are negotiated in form, the financial contract may be regarded as a non-negotiated contract if so indicated by –

i. an overall and substantial assessment of the financial contract; and

ii. the substantial circumstances surrounding the financial contract

d. In a claim that a financial contract is a non-negotiated contract, the onus of demonstrating otherwise will be on the Member.

11. C.
    a. The above does not apply to a term of a financial contract if it –
        i. defines the subject matter of the financial contract;
        ii. sets the price that is paid, or payable, for the provision of the financial product or financial service under the financial contract and has been clearly disclosed to the Client; or
        iii. is required, or expressly permitted, under any law or regulations.
    b. The exemption under point 11.C does not apply to a term that deals with the payment of an amount which is contingent on the occurrence or non- occurrence of any particular event.

12. The Member and Authorized Person shall maintain all the details of the client as mentioned in the account opening form or any other information pertaining to the client, confidentially and that they shall not disclose the same to any person/authority except as required under any law/regulatory requirements. Provided however that the Member may so disclose information about his client to any person or authority with the express permission of the client.

13. A. Protection of personal information and confidentiality
    a. "Personal information" means any information that relates to a Client or allows a Client's identity to be inferred, directly or indirectly, and includes –
        i. name and contact information;
        ii. biometric information, in case of individuals
        iii. information relating to transactions in, or holdings of, financial products
        iv. information relating to the use of financial services; or
        v. such other information as may be specified.

13. B.
    a. A Member must –
        i. not collect personal information relating to a Client in excess of what is required for the provision of a financial product or financial service;
        ii. maintain the confidentiality of personal information relating to Clients and not disclose it to a third party, except in a manner expressly permitted under point 13.B.b.;
        iii. make best efforts to ensure that any personal information relating to a Client that it holds is accurate, up to date and complete;
        iv. ensure that Clients can obtain reasonable access to their personal information, subject to any exceptions that the Regulator may specify; and
        v. allow Clients an effective opportunity to seek modifications to their personal information to ensure that the personal information held by the Member is accurate, up to date and complete.
    b. A Member may disclose personal information relating to a Client to a third party only if –
        i. it has obtained prior written informed consent of the Client for the disclosure, after giving the Client an effective opportunity to refuse consent;
        ii. the Client has directed the disclosure to be made;

iii. the Regulator has approved or ordered the disclosure, and unless prohibited by the relevant law or regulations, the Client is given an opportunity to represent under such law or regulations against such disclosure;

iv. the disclosure is required under any law or regulations, and unless prohibited by such law or regulations, the Client is given an opportunity to represent under such law or regulations against such disclosure;

v. the disclosure is directly related to the provision of a financial product or financial service to the Client, if the Member –

1. informs the Client in advance that the personal information may be shared with a third party; and

2. makes arrangements to ensure that the third party maintains the confidentiality of the personal information in the same manner as required under this Part; or

vi. the disclosure is made to protect against or prevent actual or potential fraud, unauthorised transactions or claims, if the Member arranges with the third party to maintain the confidentiality of the personal information in the manner required under this Part.-

c. "Third party" means any person other than the concerned Member, including a person belonging to the same group as the Member.

14. A. Requirement of fair disclosure both initially and on continuing basis

a. Member must ensure fair disclosure of information that is likely to be required by a Client to make an informed transactional decision.

b. In order to constitute fair disclosure, the information must be provided –

i. sufficiently before the Client enters into a financial contract, so as to allow the Client reasonable time to understand the information;

ii. in writing and in a manner that is likely to be understood by a Client belonging to a particular category; and

iii. in a manner that enables the Client to make reasonable comparison of the financial product or financial service with other similar financial products or financial services.

c. The types of information that must be disclosed to a Client in relation to a financial product or financial service, which may include information regarding –

i. main characteristics of the financial product or financial service, including its features, benefits and risks to the Client;

ii. consideration to be paid for the financial product or financial service or the manner in which the consideration is calculated;

iii. existence, exclusion or effect of any term in the financial product or financial contract;

iv. nature, attributes and rights of the Member, including its identity, regulatory status and affiliations;

v. contact details of the Member and the methods of communication to be used between the Member and the Client;

vi. rights of the Client to rescind a financial contract within a specified period; or

vii. rights of the Client under any law or regulations.

14. B.

    a. Member must provide a Client that is availing a financial product or financial service provided by it, with the following continuing disclosures –

        i. any material change to the information that was required to be disclosed under point 14.A at the time when the Client initially availed the financial product or financial service;

        ii. information relating to the status or performance of a financial product held by the Client, as may be required to assess the rights or interests in the financial product or financial service; and

        iii. any other information that may be specified.

    b. A continuing disclosure must be made –

        i. within a reasonable time-period from the occurrence of any material change or at reasonable periodic intervals, as applicable; and

        ii. in writing and in a manner that is likely to be understood by a Client belonging to that category.

MARGINS

15. The client shall pay applicable initial margins, withholding margins, special margins or such other margins as are considered necessary by the Member or the Exchange or as may be directed by SEBI from time to time as applicable to the segment(s) in which the client trades. The Member is permitted in its sole and absolute discretion to collect additional margins (even though not required by the Exchange or SEBI) and the client shall be obliged to pay such margins within the stipulated time.

16. The client understands that payment of margins by the client does not necessarily imply complete satisfaction of all dues. In spite of consistently having paid margins, the client may, on the settlement of its trade, be obliged to pay (or entitled to receive) such further sums as the contract may dictate/require.

TRANSACTIONS AND SETTLEMENTS

17. The client shall give any order for buy or sell of commodities derivatives contract in writing or in such form or manner, as may be mutually agreed between the client and the Member however ensuring the regulatory requirements in this regard are complied with. TheMember shall ensure to place orders and execute the trades of the client, only in the Unique Client Code assigned to that client.

18. The Member shall inform the client and keep him apprised about trading/settlement cycles, delivery/payment schedules, any changes therein from time to time, and it shall be the responsibility in turn of the client to comply with such schedules/procedures of the relevant commodity exchange where the trade is executed.

19. The Member shall ensure that the money deposited by the client shall be kept in a separate account, distinct from his/its own account or account of any other client and shall not be used by the Member for himself/itself or for any other client or for any purpose other than the purposes mentioned in Rules, circulars, notices, guidelines of SEBI and/or Rules, Business Rules, Bye-laws, circulars and notices of Exchange.

20. Where the Exchange(s) cancels trade(s) suo moto all such trades including the trade/s done on behalf of the client shall ipso facto stand cancelled, Member shall be entitled to cancel the respective contract(s) with client(s).

21. The transactions executed on the Exchange are subject to Rules, Byelaws and Business Rules and circulars/notices issued thereunder of the Exchanges where the trade is executed and all parties to such trade shall have submitted to the jurisdiction of such court as may be specified by the Byelaws and Business Rules of the Exchanges where the trade is executed for the purpose of giving effect to the provisions of the Rules, Byelaws and Business Rules of the Exchanges and the circulars/notices issued thereunder.

BROKERAGE

22. The Client shall pay to the Member brokerage and statutory levies as are prevailing from time to time and as they apply to the Client's account, transactions and to the services that Member renders to the Client. The Member shall not charge brokerage more than the maximum brokerage permissible as per the Rules, Business Rules and Bye-laws of the relevant commodity exchanges and/or Rules of SEBI.

LIQUIDATION AND CLOSE OUT OF POSITION

23. Without prejudice to the Member's other rights (including the right to refer a matter to arbitration), the client understands that the Member shall be entitled to liquidate/close out all or any of the client's positions for non-payment of margins or other amounts, outstanding debts, etc. and adjust the proceeds of such liquidation/close out, if any, against the client's liabilities/obligations. Any and all losses and financial charges on account of such liquidation/closing-out shall be charged to and borne by the client.

24. In the event of death or insolvency of the client or his/its otherwise becoming incapable of receiving and paying for or delivering or transferring commodities which the client has ordered to be bought or sold, Member may close out the transaction of the client and claim losses, if any, against the estate of the client. The client or his nominees, successors, heirs and assignee shall be entitled to any surplus which may result there from. The client shall note that transfer of funds/commodities in favor of a Nominee shall be valid discharge by the Member against the legal heir.

DISPUTE RESOLUTION

25. The Member shall co-operate in redressing grievances of the client in respect of all transactions routed through it.

26. The client and the Member shall refer any claims and/or disputes with respect to deposits, margin money, etc., to arbitration as per the Rules, Byelaws and Business Rules of the Exchanges where the trade is executed and circulars/notices issued thereunder as may be in force from time to time.

27. The client/Member understands that the instructions issued by an authorized representative for dispute resolution, if any, of the client/Member shall be binding on the client/Member in accordance with the letter authorizing the said representative to deal on behalf of the said client/Member.

28. Requirement for each Member to have an effective grievance redress mechanism which is accessible to all its Clients

    a. A Member must have in place an effective mechanism to receive and redress complaints from its Clients in relation to financial products or financial services provided by it, or on its behalf, in a prompt and fair manner.

    b. A Member must inform a Client, at the commencement of relationship with the Client and at such other time when the information is likely to be required by the Client, of –

        i. the Client's right to seek redress for any complaints; and

ii. the processes followed by the Member to receive and redress complaints from its Clients.

29. A. Suitability of advice for the Client

Right to receive advice that is suitable taking into account the relevant personal circumstances of the Client, such as the Clients financial circumstances and needs. This obligation would apply to persons who render advice to Clients and the regulator may specify categories of financial products and service that necessarily require such advice to be given.

a. A Member must –

i. make all efforts to obtain correct and adequate information about the relevant personal circumstances of a Client; and

ii. ensure that the advice given is suitable for the Client after due consideration of the relevant personal circumstances of the Client.

b. If it is reasonably apparent to the Member that the available information regarding the relevant personal circumstances of a Client is incomplete or inaccurate, the Member must warn the Client of the consequences of proceeding on the basis of incomplete or inaccurate information.

c. If a Client intends to avail of a financial product or financial service that the Member determines unsuitable for the Client, the Member –

i. must clearly communicate its advice to the Client in writing and in a manner that is likely to be understood by the Client; and

ii. may provide the financial product or financial service requested by the Client only after complying with point 29.A.a and obtaining a written acknowledgement from the Client.

30. Dealing with conflict of interest

In case of any conflict between the interests of a Client and that of the Member, preference much be given to the Client interests.

a. A member must –

i. provide a Client with information regarding any conflict of interests, including any conflicted remuneration that the Member has received or expects to receive for making the advice to the Client; and

ii. give priority to the interests of the Client if the Member knows, or reasonably ought to know, of a conflict between –

1. its own interests and the interests of the Client; or

2. the interests of the concerned Member and interests of the Client, in cases where the Member is a financial representative.

b. The information under point 16a.i. must be given to the Client in writing and in a manner that is likely to be understood by the Client and a written acknowledgement of the receipt of the information should be obtained from the Client.

c. In this section, "conflicted remuneration" means any benefit, whether monetary or non-monetary, derived by a Member from persons other than Clients that could, under the circumstances, reasonably be expected to influence the advice given by the Member to a Client.

TERMINATION OF RELATIONSHIP

31. This relationship between the Member and the client shall be terminated; if the Member for any reason ceases to be a member of the commodity exchange including cessation of membership by reason of the Member's default, death, resignation or expulsion or if the certificate is cancelled by the Exchange.

32. The Member, Authorized Person and the client shall be entitled to terminate the relationship between them without giving any reasons to the other party, after giving notice in writing of not less than one month to the other parties. Notwithstanding any such termination, all rights, liabilities and obligations of the parties arising out of or in respect of transactions entered into prior to the termination of this relationship shall continue to subsist and vest in/be binding on the respective parties or his/its respective heirs, executors, administrators, legal representatives or successors, as the case may be.

33. In the event of demise/insolvency of the Authorized Person or the cancellation of his/its registration with the Board or/withdrawal of recognition of the Authorized Person by the commodity exchange and/or termination of the agreement with the Authorized Person by the Member, for any reason whatsoever, the client shall be informed of such termination and the client shall be deemed to be the direct client of the Member and all clauses in the 'Rights and Obligations' document(s) governing the Member, Authorized Person and client shall continue to be in force as it is, unless the client intimates to the Member his/its intention to terminate their relationship by giving a notice in writing of not less than one month.

ADDITIONAL RIGHTS AND OBLIGATIONS

34. The Member and client shall reconcile and settle their accounts from time to time as per the Rules, Business Rules, Bye Laws, Circulars, Notices and Guidelines issued by SEBI and the relevant Exchanges where the trade is executed.

35. The Member shall issue a contract note to his clients for trades executed in such format as may be prescribed by the Exchange from time to time containing records of all transactions including details of order number, trade number, trade time, trade price, trade quantity, details of the derivatives contract, client code, brokerage, all charges levied etc. and with all other relevant details as required therein to be filled in and issued in such manner and within such time as prescribed by the Exchange. The Member shall send contract notes to the investors within 24 hours of the execution of the trades in hard copy and/or in electronic form using digital signature.

36. The Member shall make pay out of funds or delivery of commodities as per the Exchange Rules, Bye-Laws, Business Rules and Circulars, as the case may be, to the Client on receipt of the payout from the relevant Exchange where the trade is executed unless otherwise specified by the client and subject to such terms and conditions as may be prescribed by the relevant Exchange from time to time where the trade is executed.

37. The Member shall send a complete `Statement of Accounts' for both funds and commodities in respect of each of its clients in such periodicity and format within such time, as may be prescribed by the relevant Exchange, from time to time, where the trade is executed. The Statement shall also state that the client shall report errors, if any, in the Statement within such time as may be prescribed by the relevant Exchange from time to time where the trade was executed, from the receipt thereof to the Stock broker.

38. The Member shall send margin statements to the clients on daily basis. Margin statement should include, inter-alia, details of collateral deposited, collateral utilized and collateral status (available balance/due from client) with break up in terms of cash, Fixed Deposit Receipts (FDRs), Bank Guarantee, warehouse receipts, securities etc.

39. The Client shall ensure that it has the required legal capacity to, and is authorized to, enter into the relationship with Member and is capable of performing his obligations and undertakings hereunder. All actions required to be taken to ensure compliance of all the transactions, which the Client may enter into shall be completed by the Client prior to such transaction being entered into.

40. In case, where a member surrenders his/ her/ its membership, Member gives a public notice inviting claims, if any, from investors. In case of a claim relating to transactions executed on the trading system of the Exchange, ensure that client lodge a claim with the Exchange within the stipulated period and with the supporting documents.

41. A. Protection from unfair conduct which includes misleading conduct & abusive conduct

    a. Unfair conduct in relation to financial products or financial services is prohibited.

    b. "Unfair conduct" means an act or omission by a Member or its financial representative that significantly impairs, or is likely to significantly impair, the ability of a Client to make an informed transactional decision and includes –

        i. misleading conduct under point 41.B

        ii. abusive conduct under point 41.C

        iii. such other conduct as may be specified.

41. B.

    a. Conduct of a Member or its financial representative in relation to a determinative factor is misleading if it is likely to cause the Client to take a transactional decision that the Client would not have taken otherwise, and the conduct involves –

        i. providing the Client with inaccurate information or information that the Member or financial representative does not believe to be true; or

        ii. providing accurate information to the Client in a manner that is deceptive.

    b. In determining whether a conduct is misleading under point 41.B.a, the following factors must be considered to be "determinative factors" –

        i. the main characteristics of a financial product or financial service, including its features, benefits and risks to the Client;

        ii. the Client's need for a particular financial product or financial service or its suitability for the Client;

        iii. the consideration to be paid for the financial product or financial service or the manner in which the consideration is calculated;

        iv. the existence, exclusion or effect of any term in a financial contract, which is material term in the context of that financial contract;

        v. the nature, attributes and rights of the Member, including its identity, regulatory status and affiliations; and

        vi. the rights of the Client under any law or regulations.

41. C.

    a. A conduct of a Member or its financial representative in relation to a financial product or financial service is abusive if it –

        i. involves the use of coercion or undue influence; and

        ii. causes or is likely to cause the Client to take a transactional decision that the Client would not have taken otherwise.

b. In determining whether a conduct uses coercion or undue influence, the following must be considered –

i. the timing, location, nature or persistence of the conduct;

ii. the use of threatening or abusive language or behavior;

iii. the exploitation of any particular misfortune or circumstance of the Client, of which the Member is aware, to influence the Client's decision with regard to a financial product or financial service;

iv. any non-contractual barriers imposed by the Member where the Client wishes to exercise rights under a financial contract, including –

v. the right to terminate the financial contract;

vi. the right to switch to another financial product or another Member and

vii. a threat to take any action, depending on the circumstances in which the threat is made.

ELECTRONIC CONTRACT NOTES (ECN)

42. In case, client opts to receive the contract note in electronic form, he shall provide an appropriate e-mail id (created by the client) to the Member (Kindly refer Appendix A of Annexure 3). Member shall ensure that all the rules/Business Rule/Bye-Laws/ circulars issued from time to time in this regard are complied with. The client shall communicate to the Member any change in the email-id through a physical letter. If the client has opted for internet trading, the request for change of email id may be made through the secured access by way of client specific user id and password.

43. The Member shall ensure that all ECNs sent through the e-mail shall be digitally signed, encrypted, non-tamperable and in compliance with the provisions of the IT Act, 2000. In case, ECN is sent through e-mail as an attachment, the attached file shall also be secured with the digital signature, encrypted and non-tamperable.

44. The client shall note that non-receipt of bounced mail notification by the Member shall amount to delivery of the contract note at the e-mail ID of the client.

45. The Member shall retain ECN and acknowledgement of the e-mail in a soft and non-tamperable form in the manner prescribed by the exchange in compliance with the provisions of the IT Act, 2000 and as per the extant rules/circulars/guidelines issued by SEBI/Commodity exchanges from time to time. The proof of delivery i.e., log report generated by the system at the time of sending the contract notes shall be maintained by the Member for the specified period under the extant rules/circulars/guidelines issued by SEBI/Commodity exchanges. The log report shall provide the details of the contract notes that are not delivered to the client/e-mails rejected or bounced back. The Member shall take all possible steps to ensure receipt of notification of bounced mails by him at all times within the stipulated time period under the extant rules/circulars/guidelines issued by SEBI/Commodity exchanges.

46. The Member shall continue to send contract notes in the physical mode to such clients who do not opt to receive the contract notes in the electronic form. Wherever the ECNs have not been delivered to the client or has been rejected (bouncing of mails) by the e-mail ID of the client, the Member shall send a physical contract note to the client within the stipulated time under the extant Regulations/ Rules, Bye-Laws, Business Rules and Circulars of SEBI/commodity exchanges and maintain the proof of dispatch and delivery of such physical contract notes.

47. In addition to the e-mail communication of the ECNs to the client, the Member shall simultaneously publish the ECN on his designated web-site, if any, in a secured way and

enable relevant access to the clients and for this purpose, shall allot a unique user name and password to the client, with an option to the client to save the contract note electronically and/or take a print out of the same.

48. The Electronic Contract Note (ECN) declaration form obtained from the Client who opts to receive the contract note in electronic form. This declaration will remain valid till it is revoked by the client.

LAW AND JURISDICTION

49. In addition to the specific rights set out in this document, the Member, Authorised Person and the client shall be entitled to exercise any other rights which the Member or the client may have under the Rules, Bye-laws and Business Rules of the Exchanges in which the client chooses to trade and circulars/notices issued thereunder or Rules of SEBI.

50. The provisions of this document shall always be subject to Government notifications, any rules, guidelines and circulars/notices issued by SEBI and Circulars, Rules, Business Rules and Bye laws of the relevant commodity exchanges, where the trade is executed, that may be in force from time to time.

51. The Member and the client shall abide by any award passed by the Arbitrator(s) under the Arbitration and Conciliation Act, 1996. However, there is also a provision of appeal, if either party is not satisfied with the arbitration award.

52. Words and expressions which are used in this document but which are not defined herein shall, unless the context otherwise requires, have the same meaning as assigned thereto in the Rules, Byelaws and Regulations/Business Rules and circulars/notices issued thereunder of the Exchanges/SEBI.

53. All additional voluntary/non-mandatory clauses/document added by the Member should not be in contravention with Rules/ Business Rules/Notices/Circulars of Exchanges/SEBI. Any changes in such voluntary clauses/document(s) need to be preceded by a notice of 15 days. Any changes in the rights and obligations which are specified by Exchanges/SEBI shall also be brought to the notice of the clients.

54. If the rights and obligations of the parties hereto are altered by virtue of change in Rules of SEBI or Bye-laws, Rules and Business Rules of the relevant commodity exchanges where the trade is executed, such changes shall be deemed to have been incorporated herein in modification of the rights and obligations of the parties mentioned in this document.

55. Members are required to send account statement to their clients every month.

INTERNET & WIRELESS TECHNOLOGY BASED TRADING FACILITY PROVIDED BY MEMBERS TO CLIENT

(All the clauses mentioned in the *'Rights and Obligations'* document(s) shall be applicable. Additionally, the clauses mentioned herein shall also be applicable.)

1. Member is eligible for providing Internet based trading (IBT) and commodities trading through the use of wireless technology that shall include the use of devices such as mobile phone, laptop with data card, etc. which use Internet Protocol (IP). The Member shall comply with all requirements applicable to internet based trading/- commodities trading using wireless technology as may be specified by SEBI& the Exchanges from time to time.

2. The client is desirous of investing/trading in commodities and for this purpose, the client is desirous of using either the internet based trading facility or the facility for commodities trading through use of wireless technology. The Member shall provide the Member's IBT Service to the Client, and the Client shall avail of the Member's IBT Service, on and subject to SEBI/Exchanges Provisions and the terms and conditions specified on the Member's IBT Web Site provided that they are in line with the norms prescribed by Exchanges/SEBI.

3. The Member shall bring to the notice of client the features, risks, responsibilities, obligations and liabilities associated with commodities trading through wireless technology/internet or any other technology should be brought to the notice of the client by the Member.

4. The Member shall make the client aware that the Member's IBT system itself generates the initial password and its password policy as stipulated in line with norms prescribed by Exchanges/SEBI.

5. The Client shall be responsible for keeping the Username and Password confidential and secure and shall be solely responsible for all orders entered and transactions done by any person whosoever through the Member's IBT System using the Client's Username and/or Password whether or not such person was authorized to do so. Also the client is aware that authentication technologies and strict security measures are required for the internet trading/ commodities trading through wireless technology through order routed system and undertakes to ensure that the password of the client and/or his authorized representative are not revealed to any third party including employees and dealers of the Member

6. The Client shall immediately notify the Member in writing if he forgets his password, discovers security flaw in Member's IBT System, discovers/suspects discrepancies/ unauthorized access through his username/password/account with full details of such unauthorized use, the date, the manner and the transactions effected pursuant to such unauthorized use, etc.

7. The Client is fully aware of and understands the risks associated with availing of a service for routing orders over the internet/ commodities trading through wireless technology and Client shall be fully liable and responsible for any and all acts done in the Client's Username/password in any manner whatsoever.

8. The Member shall send the order/trade confirmation through email to the client at his request. The client is aware that the order/ trade confirmation is also provided on the web portal. In case client is trading using wireless technology, the Member shall send the order/trade confirmation on the device of the client.

9. The client is aware that trading over the internet involves many uncertain factors and complex hardware, software, systems, communication lines, peripherals, etc. are susceptible to interruptions and dislocations. The Member and the Exchange do not make any representation or warranty that the Member's IBT Service will be available to the Client at all times without any interruption.

10. The Client shall not have any claim against the Exchange or the Member on account of any suspension, interruption, non-availability or malfunctioning of the Member's IBT System or Service or the Exchange's service or systems or non-execution of his orders due to any link/system failure at the Client/Members/Exchange end for any reason beyond the control of the Member/Exchanges.

Appendix A

Electronic Contract Note [ECN] – DECLARATION
(VOLUNTARY)

To,

(Name of the member with exchange)

Dear Sir,

I, _____ a client with Member M/s. _____ of _____ Exchange undertake as follows:

- I am aware that the Member has to provide physical contract note in respect of all the trades placed by me unless I myself want the same in the electronic form.
- I am aware that the Member has to provide electronic contract note for my convenience on my request only.
- Though the Member is required to deliver physical contract note, I find that it is inconvenient for me to receive physical contract notes. Therefore, I am voluntarily requesting for delivery of electronic contract note pertaining to all the trades carried out / ordered by me.
- I have access to a computer and am a regular internet user, having sufficient knowledge of handling the email operations.
- My email id is* _____. This has been created by me and not by someone else.
- I am aware that this declaration form should be in English or in any other language known to me.
- I am aware that non-receipt of bounced mail notification by the member shall amount to delivery of the contract note at the above e-mail ID.

The above declaration and the guidelines on ECN given in the Annexure have been read and understood by me. I am aware of the risk involved in dispensing with the physical contract note, and do hereby take full responsibility for the same

**(The email id must be written in own handwriting of the client.)*

Client Name: _____
Unique Client Code: _____
PAN: _____
Address: _____
Signature of the client
Date:
Place:
Verification of the client signature done by,
Name of the designated officer of the Member
Signature

Annexure-4

GUIDANCE NOTE - DO's AND DON'Ts FOR THE CLIENTS

Do's

1. Trade only through Registered Members of the Exchange. Check from the Exchange website at following link https://www.mcxindia.com/membership/notice-board/Member-AP_ -Details to see whether the Member is registered with the Exchange.
2. Insist on filling up a standard 'Know Your Client (KYC)' form before you commence trading
3. Insist on getting a Unique Client Code (UCC) and ensure all your trades are done under the said UCC.
4. Insist on reading and signing a standard 'Risk Disclosure Agreement'.
5. Obtain a copy of your KYC and/ or other documents executed by you with the Member, from the Member.
6. Cross check the genuineness of trades carried out at the Exchange through the trade verification facility available on the Exchange website at the following link https://www.mcxindia.com/en/login .The trades can be verified online where trade information is available up to 5 working days from the trade date.
7. Insist on a duly signed Contract Note in specified format for every executed trade within 24 hours of trade, highlighting the details of the trade along with your UCC.
8. Ensure that the Contract Note contains all the relevant information such as Member Registration Number, Order No., Order Date, Order time, Trade No., Trade rate, Quantity, Arbitration Clause, etc.
9. Obtain receipt for collaterals deposited with the Member towards margins.
10. Go through the Rules, Bye-laws, Regulations, Circulars, Directives, Notifications of the Exchange as well as of the Regulators, Government and other authorities to know your rights and duties vis-à-vis those of the Member.
11. Ask all relevant questions and clear your doubts with your Member before transacting.
12. Insist on receiving the bills for every settlement.
13. Insist on Monthly statements of your ledger account and report any discrepancies in the statement to your Member within 7 working days. In case of unsatisfactory response report the discrepancy to the Exchange within 15 working days from the date of cause of action.
14. Scrutinize minutely both the transaction & holding statements that you receive from your Depository Participant.
15. Keep Delivery Instruction Slips (DIS) book issued by DPs in safe possession.
16. Ensure that the DIS numbers are preprinted and your account number (UCC) is mentioned in the DIS book.
17. Freeze your Demat account in case of your absence for longer duration or in case of not using the account frequently.
18. Pay required margins in time and only by Cheque and ask for receipt thereof from the Member.
19. Deliver the commodities in case of sale or pay the money in case of purchase within the time prescribed.
20. Understand and comply with accounting standards for derivatives.
21. Ensure to read, understand and then sign the voluntary clauses, if any, agreed between you and the Member. Note that the clauses as agreed between you and the Member cannot be changed without your consent.
22. Get a clear idea about all brokerage, commissions, fees and other charges levied by the Member on you for trading and the relevant provisions/ guidelines specified by SEBI/Commodity exchanges.

23. Make the payments by account payee cheque in favour of the Member. Ensure that you have a documentary proof of your payment/deposit of commodities with the Member, stating date, commodity, quantity, towards which bank/ demat account such money or commodities (in the form of warehouse receipts) deposited and from which bank/ demat account.
24. The payout of funds or delivery of commodities (as the case may be) shall not be made to you within one working day from the receipt of payout from the Exchange, in case you have given specific authorization for maintaining running account to the member. Thus, in this regard, the running account authorization provided by you to the Member shall be subject to the following conditions:
    a) Such authorization from you shall be dated, signed by you only and contains the clause that you may revoke the same at any time.
    b) You need to bring any dispute arising from the statement of account to the notice of the Member in writing preferably within 7 (seven) working days from the date of receipt of funds/commodities or statement, as the case may be. In case of dispute, refer the matter in writing to the Investors Grievance Cell of the relevant Commodity exchanges without delay.
    c) In case you have not opted for maintaining running account and pay-out is not received on the next working day of the receipt of payout from the exchanges, please refer the matter to the Member. In case there is dispute, ensure that you lodge a complaint in writing immediately with the Investors Grievance Cell of the relevant Commodity exchange.
    d) Please register your mobile number and email id with the Member, to receive trade confirmation alerts/ details of the transactions through SMS or email, by the end of the trading day, from the commodity exchanges.
25. You should familiarize yourself with the protection accorded to the money or other property you may deposit with your member, particularly in the event of a default in the commodity derivatives or the member becomes insolvent or bankrupt.
26. Please ensure that you have a documentary proof of having made the deposit of such money or property with the member, stating towards which account such money or property deposited.
27. In case your problem/grievance/issue is not being sorted out by concerned Member/Authorised Person then you may take up the matter with the concerned Commodity Exchange. If you are not satisfied with the resolution of your complaint then you can escalate the matter to SEBI.

Don'ts

1. Do not deal with any unregistered intermediaries.
2. Do not undertake off-market transactions as such transactions are illegal and fall outside the jurisdiction of the Exchange.
3. Do not enter into assured returns arrangement with any Member
4. Do not get carried away by luring advertisements, rumours, hot tips, explicit/ implicit promise of returns, etc.
5. Do not make payments in cash/ take any cash towards margins and settlement to/ from the Member.
6. Do not start trading before reading and understanding the Risk Disclosure Agreement.
7. Do not neglect to set out in writing, orders for higher value given over phone.
8. Do not accept unsigned/duplicate contract note/confirmation memo.
9. Do not accept contract note/confirmation memo signed by any unauthorized person.
10. Don’t share your internet trading account’s password with anyone
11. Do not delay payment/deliveries of commodities to Member.
12. Do not forget to take note of risks involved in the investments.
13. Do not sign blank Delivery Instruction Slips (DIS) while furnishing commodities, deposits and/or keep them with Depository Participants (DP) or member to save time.
14. Do not pay brokerage in excess of that rates prescribed by the Exchange
15. Don’t issue cheques in the name of Authorized Person.

Annexure 5

CONTRACT NOTE

NAME OF THE MEMBER, LOGO OF THE MEMBER
SEBI REGISTRATION NO. ADDRESS, TELEPHONE NO, FAX NO AND WEBSITE
NAME OF COMPLIANCE OFFICER HIS/ HER EMAIL & TELEPHONE NO., EMAIL ID FOR INVESTOR COMPLAINT
DEALING OFFICES ADDRESS, TELEPHONE NO, FAX NO

			Name Of Exchange	Name Of Exchange	Name Of Exchange
CONTRACT NOTE NO.					
TRADE DATE		SETTLEMENT NO.			
		SETTLEMENT DATE			
Name of the Client Address of the Client State/State Code (Place of supply) PAN of Client UCC of Client Trading Back office code* GST Identification No. of client (if available)		GIVE EXCHANGE-WISE SETTLEMENT NO. & DATES			

	Name Of Exchange	Name Of Exchange	Name Of Exchange
*Trading/ Back Office Code (If Different from UCC)			

Sir/ Madam,

I / We have this day done by your order and on your account the following transactions:

Order No.	Order Time	Trade No.	Trade Time	Security/ Contract description	Buy (B)/ Sell (S)	Quantity	Gross Rate/ Trade Price Per unit (Rs)	Brokerage per Unit (Rs)	Net Rate per Unit (Rs)	Net Total (Before Levies) (Rs)	Remarks
1	2	3	4	5	6	7	8	9	10	11	12
Name of Exchange											
Only Trade details of the trading day to be given and not the details of position brought forward											
Trade 1											
Trade 2											
Trade N											
Name of Exchange											
Only Trade details of the trading day to be given and not the details of position forward											
Trade 1											
Trade 2											
Trade N											
Name of Exchange											
Only Trade details of the trading day to be given and not the details of position forward											

Trade 1											
Trade 2											
Trade N											

	Name Of Exchange	Name Of Exchange	Name Of Exchange	TOTAL (Net)
Aggregate of Net Total of Column (11) (Rs)				
Brokerage Total (Rs)				
Commodities Transaction Tax (Rs)				
**Taxable value of supply (TV)				
***CGST(___% of TV)(Rs.)				
***SGST (___% of TV)(Rs.)				
***IGST (___% of TV)(Rs.)				
***UTT(___% of TV)(Rs.)				
Exchange Transaction Charges(Rs)				
SEBI turnover Fees (Rs.)				
Stamp Duty(Rs.)				
Other Statutory Levies if any (Rs.)				

** *Taxable value to be calculated as per the provisions of valuation of supply as per applicable GST Laws from time to time*
*** *CGST:-Central GST; SGST: - State GST; IGST:-Integrated GST; UTT: - Union Territory Tax. Details of trade-wise levies shall be provided on request.*

This contract constitutes and shall be deemed to constitute as an agreement between you and me/us, and in the event of any claim (whether admitted or not), difference or dispute in respect of any dealings, and contracts of a date prior or subsequent to the date of this contract (including any question whether such dealings, transactions or contracts have been entered in to or not) shall be referred to arbitration as provided in the Rules, Bye-laws, Regulations and any Business Rules of the Exchanges and other relevant applicable regulatory guidelines and directives issued by Securities and Exchange Board of India (SEBI) issued from time to time.

Transactions mentioned in this Contract Note shall be governed by the Rules, Bye-laws, Regulations, and any Business Rules of the respective Exchanges and also subject to the relevant Acts, Rules, Regulations, Directives, Notifications, Guidelines (including GST Laws) & Circulars issued by SEBI / Government of India / State Governments and Union Territory Governments from time to time. The Exchanges provides for dedicated Investor Grievance Redressal Mechanism and Alternate Dispute Resolution Mechanism (Arbitration) at regions where they have set up Investor Service Centre (ISC).The Arbitration facility is provided at the Regional Arbitration Centres. The details of Investor Service Centres & Regional Arbitration Centres are available on the respective Exchange's Website (www.mcxindia.com, www.ncdex.com, www.nmce.com). The Client may approach Investor Service Centre of the respective Exchange nearest to the address provided by the client in the KYC form for any dispute redressal.

Date:

Place:

Yours faithfully,

For_____(Name of Trading Member)

PAN of Trading Member	
GSTIN of Trading Member	
Description of Service	
Accounting code of services	

Name & Signature/Digital Signature of Partner / Proprietor / Authorized Signatory