Inspection and Audit

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Item 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.

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”.

ii. Annexure 2 – Uniform Risk Disclosure Document
iii Annexure 3 – Rights and Obligations of Members, Authorized Persons, and Clients
iv Annexure 4 – Guidance Note – Do’s and Don’ts for the clients.

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) Policies and Procedures

d) 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, Byelaws, 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, Business Rules, circulars of the Exchange

and Rules, Byelaws , directives and guidelines of SEBI 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 be 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 UIDAI 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
- Guidance Note detailing Do’s and Don’ts for trading on stock exchanges.

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.

Stock brokers shall continue to make the documents mentioned above as (Document stating the Rights & Obligations of stock broker, and client for trading on exchanges (including additional rights & obligations in case of internet / wireless technology based trading; Uniform Risk Disclosure Documents & Guidance Note detailing Do’s and Don’ts for trading on exchanges) available on their website and keep the clients informed about 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.

vi. The Member of the Exchange shall also furnish a copy of all the documents to all his clients and maintain their acknowledgement.

vii. 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.

viii. Amendment in 'Rights and Obligations of Members, Authorized Persons and Clients' of FMC circular No. FMCCOMPLIVKRA-051114 dated February 26, 2015, is specified in SEBI Circular SEBI/HO/MIRSD/DOP/CIR/P/2020/33 March 11,

2020 issued vide Exchange circular MCX/INSP/162/2020 dated March 11, 2020 and the circular states as under : -

1. SEBI, vide circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016, inter-alia, specified that provisions of FMC circular No. FMC/COMPL/IV/KRA-05/11/14 dated February 26, 2015, shall be applicable to all commodity derivatives exchanges including regional commodity derivatives exchanges for compliance by their members.

2. Clause 42 of Annexure-3: 'Rights and Obligations of Members, Authorized Persons and Clients' of FMC circular No. FMC/COMPL/IV/KRA-05/11/14 dated February 26, 2015, specifies the following: In case, client opts to receive the contract note in electronic form, he shall provide an appropriate email id (created by the client) to the member (Kindly refer Appendix A of Annexure 3). Member shall ensure that all the Rules / Business Rules / Bye-Laws / Circulars issued from time to time in this regard are complied with. The client shall communicate to the member any change in e-mail 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. The Appendix A specified in the above clause is the ECN (Electronic Contract Note) Declaration Form in which e-mail id is required to be written in own handwriting of the client.

3. Clause 48 of Annexure-3: 'Rights and Obligations of Members, Authorized persons and Clients' of FMC circular dated February 26, 2015, specifies the following: The Electronic Contract Note (ECN) declaration form will be 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.

4. Clause 37 of Annexure-4: 'Rights and Obligations of Stock Brokers and Clients' of SEBI circular no. CIR/MIRSD/16/2011 dated August 22, 2011 specifies the following: In case, client opts to receive the contract note in electronic form, he shall provide an appropriate e-mail id to the stock broker. The client shall communicate to the stock broker 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.

5. As per the aforementioned clauses, clients in commodity derivatives segment are required to submit a physical form for providing e-mail id, if they wish to receive contracts notes in electronic form. Whereas, clients in segments other than commodity derivatives segment are required to provide an appropriate email id to the stock broker.

6. For ease of investors with regard to receiving electronic contract notes, it has been decided to replace the Clause 42 of Annexure-3: 'Rights and Obligations

of Members, Authorized Persons and Clients' of FMC circular No. FMC/COMPL/IV/KRA-05/11/14 dated February 26, 2015, with Clause 37 of Annexure-4: 'Rights and Obligations of Stock Brokers and Clients' of SEBI circular no. CIR/MIRSD/16/2011 dated August 22, 2011. Further, Clause 48 of Annexure-3: 'Rights and Obligations of Members, Authorized Persons and Clients' of FMC circular No. FMC/COMPL/IV/KRA-05/11/14 dated February 26, 2015, shall stand rescinded.

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.

Include procedure for filing of complaints on SCORES in Welcome Kit

As per Exchange circular MCX/ISD/359/2019 dated July 5, 2019 - Members are also directed to include procedure for filing of complaints on SCORES and benefits for the same in the welcome kit to be given to the investors at the time of registration with them.

Client Registration Procedure (Please refer Annexure B for format)

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 every financial year. In respect of other clients, the stock broker shall obtain the documents in accordance with its risk management system. Members are, therefore, again advised to update the financial information of their clients at least once in a financial year.

- 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' commodities /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.

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.

Non-mandatory Documents

- It may be noted that any voluntary clause / document added by the stockbrokers shall form part of the non-mandatory documents. The stockbroker shall ensure that any voluntary clause/document shall neither dilute the responsibility of the stockbroker nor it shall be in conflict with any of the clauses in the mandatory documents, Rules, Business Rules , Bye-laws, Regulations, Notices, Guidelines and Circulars issued by SEBI and the Stock Exchange from time to time. Any such clause introduced in the existing as well as new documents shall stand null and void.

- 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, Business 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.

Stock Brokers are further advised to ensure the following:

(1) It may be noted that proper segregation of the mandatory and non-mandatory documents shall be made.
(2) Additional documents shall state at the beginning in bold that the document is voluntary.
(3) However, if such documents are required in order to ensure smooth functioning of special facility such as internet trading offered by the trading member, the client shall be informed in writing clearly that such documents are voluntary and the client need not execute such documents if he / she does not wish to use that facility.
(4) Such documents, if any shall also recognize specifically the right of the client to terminate the document. In such an eventuality, the trading member may terminate the special facility.
(5) The docket or folder containing draft mandatory documents for signing and the checklist containing mandatory documents shall not include draft voluntary documents, if any.
(6) The Client shall indicate the stock exchange as well as the market segment where he intends his trades to be executed. He shall do so in the KYC form in his own hand and sign against these.

List of Illustrative documents

- Copy of ITR Acknowledgement
- Copy of Annual Accounts
- In case of salary income - Salary Slip, Copy of Form 16
- Net-worth certificate
- Bank account statement for last 6 months
- Copy of Holding statement of de-mat account
- Any other relevant documents substantiating ownership of assets
- Self-declaration along with relevant supporting

(7) Details of any action/proceedings initiated/pending/ taken by SEBI/ Stock exchange/any other authority against the applicant/client or its partners/promoters/whole time directors/authorized persons in charge of dealing in securities during the last 3 years
(8) No documentation shall give any exclusive right or control to the trading member or third party over the demat account or ledger account or bank account of the client except to the extent of and restricted to the client's obligation to the trading member in respect of the transactions done or to be done like up-front margin by the trading member on behalf of the client on the Exchange.
(9) The stockbroker 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.
(10) In the case of existing clients, if the policies & procedures are not explicitly elaborated, TM should intimate the same to all clients & maintain the proof

of dispatch or delivery. In case of internet clients, TM may provide the same electronically in a secured manner.

(11) It has been decided that while a stockbroker may use the brand name / logo of its group companies, it must display more prominently its name as registered with SEBI, its own logo, if any, its registration number, and its complete address with telephone numbers and e-mail address on account opening documents

1.2 Clarification on KYC Process and Use of Technology for KYC (Circular no.: MCX /INSP /293/2020 April 27, 2020)

SEBI registered intermediary shall continue to ensure to obtain the express consent of the investor before undertaking online KYC.

SEBI, from time to time has issued various circulars to simplify, harmonize the process of KYC by investors / RI. Constant technology evolution has taken place in the market and innovative platforms are being created to allow investors to complete KYC process online. SEBI held discussions with various market participants and based on their feedback and with a view to allow ease of doing business in the securities market, it has been decided to make use of following technological innovations which can facilitate online KYC:

a) eSign service is an online electronic signature service that can facilitate an Aadhaar holder to forward the document after digitally signing the same provided the eSign signature framework is operated under the provisions of Second schedule of the Information Technology Act and guidelines issued by the controller.
b) In terms of PML Rule 2 (1) (cb) “equivalent e-document” means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature, including documents issued to the Digital Locker account of the investor as per Rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.
c) Section 5 of the Information Technology Act, 2000 recognizes electronic signatures (which includes digital signature) and states that where any law provides that information or any other matter shall be authenticated by affixing the signature or any document shall be signed or bear the signature of any person then such requirement shall be deemed to have been satisfied, if such information or matter is authenticated by means of a digital signature affixed in such manner as prescribed by the Central Government. Therefore, the eSign mechanism of Aadhaar shall be accepted in lieu of wet signature on the documents provided by the investor. Even the cropped signature affixed on the online KYC form under eSign shall also be accepted as valid signature.

Any document, except for the documents mentioned in the First Schedule of the IT Act 2000, may be authenticated by an investor by way of electronic/digital signature including Aadhaar eSign, therefore, the process of performing KYC can be completed by using electronic/digital signature including Aadhaar eSign. In

case of non-individual clients, intermediaries may take caution and satisfy themselves regarding the genuineness of the authorization and identity of the authorized signatories.

In order to enable the Online KYC process for establishing account-based relationship with the RI, Investor's KYC can be completed through online / App based KYC, in-person verification through video, online submission of Officially Valid Document (OVD) / other documents under eSign, in the following manner:

i) The investor visits the website/App/digital platform of the RI and fills up the online KYC form and submits requisite documents online.
ii) The name, photograph, address, mobile number, email ID, Bank details of the investor shall be captured online and OVD / PAN / signed cancelled cheque shall be provided as a photo / scan of the original under eSign and the same shall be verified as under:

a. Mobile and email is verified through One Time Password (OTP) or other verifiable mechanism. The mobile number/s of investor accepted as part of KYC should preferably be the one seeded with Aadhaar (the RI shall ensure to meet the requirements of the mobile number and email as detailed under SEBI circular no. CIR/MIRSD/15/2011 dated August 02, 2011).
b. Aadhaar is verified through UIDAIs authentication / verification mechanism. Further, in terms of PML Rule 9 (16), every RI shall, where the investor submits his Aadhaar number, ensure that such investor to redact or blackout his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required under sub-rule (15). RI shall not store/ save the Aadhaar number of investor in their system. e-KYC through Aadhaar Authentication service of UIDAI or offline verification through Aadhaar QR Code/ XML file can be undertaken, provided the XML file or Aadhaar Secure QR Code generation date is not older than 3 days from the date of carrying out KYC. In terms of SEBI circular No. CIR/MIRSD/29/2016 dated January 22, 2016, the usage of Aadhaar is optional and purely on a voluntary basis by the investor.
c. PAN is verified online using the Income Tax Database.
d. Bank account details are verified by Penny Drop mechanism or any other mechanism using API of the Bank. (Explanation: based on bank details in the copy of the cancelled cheque provided by the investor, the money is deposited into the bank account of the investors to fetch the bank account details and name). The name and bank details as obtained shall be verified with the information provided by investor.
e. Any OVD other than Aadhaar shall be submitted through Digilocker / under eSign mechanism.
f. In terms of Rule 2 (d) of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (PML Rules) "Officially Valid Documents" means the following:

    a) the passport
    b) the driving licence,
    c) proof of possession of Aadhaar number,

d) the Voter's Identity Card issued by Election Commission of India,

e) job card issued by NREGA duly signed by an officer of the State Government

f) the letter issued by the National Population Register containing details of name, address, or any other document as notified by the Central Government in consultation with the Regulator.

iii) Further, Rule 9(18) of PML Rules states that in case OVD furnished by the investor does not contain updated address, the document as prescribed therein in the above stated Rule shall be deemed to be the OVD for the limited purpose of proof of address.

iv) PML Rules allows an investor to submit other OVD instead of PAN, however, in terms of SEBI circular No. MRD/DoP/Cir- 05/2007 dated April 27, 2007, the requirement of mandatory submission of PAN by the investors for transaction in the securities market shall continue to apply.

v) Once all the information as required as per the online KYC form is filled up by the investor, KYC process could be completed as under:
The investor would take a printout of the completed KYC form and after affixing their wet signature, send the scanned copy / photograph of the same to the RI under eSign, or Affix online the cropped signature on the filled KYC form and submit the same to the RI under eSign.

vi) The RI shall forward the KYC completion intimation letter through registered post/ speed post or courier, to the address of the investor in cases where the investor has given address other than as given in the OVD. In such cases of return of the intimation letter for wrong / incorrect address, addressee not available etc., no transactions shall be allowed in such account and intimation shall also sent to the Stock Exchange and Depository.

vii) The original seen and verified requirement under SEBI circular no. MIRSD/SE/Cir-21/2011 dated October 5, 2011, for OVD would be met where the investor provides the OVD in the following manner:

i. As a clear photograph or scanned copy of the original OVD, through the eSign mechanism,
or;
ii. As digitally signed document of the OVD, issued to the DigiLocker by the issuing authority.

Features for online KYC App of the RI - SEBI registered intermediary may implement their own Application (App) for undertaking online KYC of investors. The App shall facilitate taking photograph, scanning, acceptance of **OVD through Digilocker**, video capturing in live environment, usage of the App only by authorized person of the RI.

The App shall also have features of random action initiation for investor response to establish that the interactions not pre-recorded, time stamping, **geo-location tagging** to ensure physical location in India etc is also implemented. RI shall ensure that the process is a seamless, real-time, secured, end-to-end encrypted audiovisual interaction with the customer and the quality of the communication is adequate to allow

identification of the customer beyond doubt. RI shall **carry out the liveliness check** in order to guard against spoofing and such other fraudulent manipulations.

The RI shall before rolling out and periodically, carry out software and security audit and validation of their App. The RI may have additional safety and security features other than as prescribed above.

Feature for Video in Person Verification (VIPV) for Individuals – To enable ease of completing IPV of an investor, intermediary may undertake the VIPV of an individual investor through their App. The following process shall be adopted in this regard:

i. Intermediary through their authorised official, specifically trained for this purpose, may undertake live VIPV of an individual customer, after obtaining his/her informed consent. The activity log along with the credentials of the person performing the VIPV shall be stored for easy retrieval.
ii. The VIPV shall be in a live environment.
iii. The VIPV shall be clear and still, the investor in the video shall be easily recognisable and shall not be covering their face in any manner.
iv. The VIPV process shall include random question and response from the investor including displaying the OVD, KYC form and signature or could also be confirmed by an OTP.
v. The RI shall ensure that photograph of the customer downloaded through the Aadhaar authentication / verification process matches with the investor in the VIPV.
vi. The VIPV shall be digitally saved in a safe, secure and tamper-proof, easily retrievable manner and shall bear date and time stamping.
vii. The RI may have additional safety and security features other than as prescribed above.

1.3 <u>In-person verification (IPV)</u>

In line with the uniformity brought out in the KYC procedure across intermediaries, the IPV requirements for all the intermediaries have been streamlined and harmonized by SEBI, as follows:

i. It shall be mandatory for all the intermediaries to carry out IPV of their clients.
ii. 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.
iii. The IPV carried out by one SEBI registered intermediary can be relied upon by another intermediary.
iv. In case of Stock brokers, or Authorised 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.

v. In case of Mutual Funds, their Asset Management Companies AMCs and the distributors who comply with the certification process of National Institute of Securities Market NISM or Association of Mutual Funds AMFI and have undergone the process of 'Know Your Distributor KYD', can perform the IPV. However, in case of applications received by the mutual funds directly from the clients i.e., not through any distributor, they may also rely upon the IPV performed by the scheduled commercial banks.

Members' attention is drawn to Exchange circular no. MCX/INSP/293/2020 dated April 27, 2020 regarding SEBI circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/73 dated April 24, 2020 on "Clarification on Know Your Client (KYC) Process and Use of Technology for KYC". Based on the suggestions received from depositories and other market participants on the above-mentioned circular, SEBI has vide its email dated February 4, 2022, advised to issue following clarifications:

1. With respect to Para 3 (c) of the SEBI circular which mentions use of Aadhaar e-Sign mechanism, it is now further clarified that any document, except for the documents mentioned in the First Schedule of the IT Act 2000, may be authenticated by an investor by way of electronic/digital signature including Aadhaar eSign, therefore, the process of performing KYC can be completed by using electronic/digital signature including Aadhaar eSign. In case of nonindividual clients, intermediaries may take caution and satisfy themselves regarding the genuineness of the authorization and identity of the authorized signatories.

2. With regard to requirement of geo-tagging in India mentioned at Para 5 of the SEBI circular, it is reiterated that while completing the investor's KYC through KYC app of the intermediary, the Registered Intermediary (RI) shall continue to ensure the requirement of geo-tagging with the investor's physical location in India as per SEBI guidelines till further clarification is issued by SEBI in the matter.

Clarification in respect of In-person Verification:-

1. In case of individuals:

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

   b. 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.

2. In case of stock exchange subsidiaries

SEBI pursuant to its circular clarified that the subsidiaries of stock exchanges, acting as stockbrokers, may rely upon the 'in-person' verification done by their Authorised Persons who are also registered with SEBI as stock brokers of the parent stock exchange for their respective clients. However, the ultimate responsibility for 'in-person' verification would remain with the subsidiaries and they shall obtain the necessary IPV documents for their records.

SEBI vide circular no. MIRSD/Cir- 26 /2011 dated December 23, 2011 had harmonized the IPV requirements for the intermediaries. In order to ease the IPV process for KYC, the said SEBI circular pertaining to IPV stands modified as under:

a. IPV/ VIPV would not be required when the KYC of the investor is completed using the Aadhaar authentication / verification of UIDAI.

b. IPV / VIPV shall not be required by the RI when the KYC form has been submitted online, documents have been provided through digilocker or any other source which could be verified online.

1.4 Uploading KYC information with KYC Registration Agency (KRA)

SEBI simplified the account opening process for investors vide Circular No. CIR/MIRAD/16/2011 dated August 22, 2011. Further, SEBI vide Circular No. MIRSD/SE/Cir-21/2011 dated October 05, 2011 issued guidelines for uniform KYC requirements for investors while opening accounts with any intermediary in the securities market.

Earlier, if a client intends to open accounts with different intermediaries for the purpose of trading / investment in the securities market, he has to undergo the process of Know Your Client KYC again and again. Therefore, to avoid duplication of KYC process with every intermediary, a mechanism for centralization of the KYC records in the securities market has been developed.

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 is not required to undergo the same process again with another intermediary. Accordingly, SEBI has formulated the KYC Registration Agency Regulations 2011.

List of entities registered as KYC Registration Agency with SEBI, is available on SEBI website.

Guidelines for Intermediaries in pursuance of the SEBI KYC Registration Agency Regulations, 2011

After doing the initial KYC of the new clients, the intermediary shall forthwith upload the KYC information on the system of the KRA and send the KYC documents i.e. KYC application form and supporting documents of the clients to the KRA within 10 working days from the date of execution of documents by the client and maintain the proof of dispatch.

In case a client's KYC documents sent by the intermediary to KRA are not complete, the KRA shall inform the same to the intermediary who shall forward the required information / documents promptly to KRA.

The intermediary shall promptly provide KYC related information to KRA, as and when required. The intermediary shall have adequate internal controls to ensure the security / authenticity of data uploaded by it.

Further, SEBI has issued Circular No. MIRSD/Cir-5/2012 dated April 13, 2012 regarding "Uploading of the existing clients KYC details in the KYC Registration Agency KRA system by the intermediaries". In order to make it convenient for the clients registered prior to January 1, 2012 hereinafter referred to as 'existing clients' and to expand the centralized database of the KYC records of the entire securities market, it is decided to upload the KYC details of the existing clients of the intermediaries in the KRA system, in a phased manner.

Guidelines for uploading the KYC data of the existing clients in pursuance of the SEBI KYC Registration Agency Regulations, 2011

For existing clients who trade / invest / deal with the intermediary anytime during the prescribed time phases starting from April 16, 2012, the intermediaries shall forthwith upload their KYC details in the KRA system.

KRAs shall send letters to the clients for the receipt of the initial / updated KYC documents from intermediary in accordance with the time schedule. The KYC data of the existing clients, who trade / invest or deal after the prescribed time phase, shall be uploaded on a continuous basis.
While uploading the existing clients' KYC details in the KRA system, the intermediary shall indicate the date of account opening / activation / updation of information. In case the KRA system indicates that the client's KYC data already exists, the other intermediary shall upload the modifications, if any, after the aforesaid date so that the latest information about the client is available on the KRA system.

The intermediary shall highlight the KYC details about the existing client which is missing / not available, as per the KYC requirements prescribed by SEBI, only if it was not mandated earlier, when the client's account was opened. KRAs shall make

necessary provisions in their systems to categorize the KYC of such clients under the category of existing clients and highlight the information which is missing / not available.

When the existing client approaches another intermediary, it shall be the responsibility of that intermediary which downloads the data of that client from the KRA system, to update the missing information, do IPV as per requirements if not done already and send the relevant supporting documents, if any, to the KRA. Thereafter, the KRA system shall indicate the records as updated.

Further, SEBI vide notification no. LAD-NRO/GN/2012-13/35/6998 dated March 22, 2013, has removed the requirement for sending original physical KYC documents of the clients to the KRA unless specifically desired by KRA. Instead, intermediaries shall furnish the scanned images of the KYC documents to the KRA and retain the physical KYC documents.

As per SEBI circular SEBI/HO/MIRSD/DoP/P/CIR/2022/46 dated April 06, 2022

- The KYC records of new clients (who have used Aadhaar as an OVD) shall be validated within 2 days of receipt of KYC records by KRAs.

- KRA shall intimate the KRA identifier to the client within 2 working days of receipt of KYC records by the KRAs by post or email and maintain the proof of dispatch.

- Member's attention is drawn to para 11 of said circular which mandates that clients whose KYC records are not found to be valid by KRA after the validation process shall not be allowed to transact in securities market and shall be allowed to transact in securities market only after their KYC is validated.

As per SEBI/HO/MIRSD/SEC-5/P/CIR/2022/100 July 27, 2022

- KYC records of all existing clients (who have used Aadhaar as an OVD) shall be validated within a period of 180 days from November 01, 2022.

- The validation of all KYC records (new and existing) shall commence from November 01, 2022.

1.5 Delivery of copy of duly completed Client registration forms

The Exchange is in receipt of complaints from investors regarding non-availability of copies of the documents executed by them for registration and it is observed that many disputes are related to the contents thereof. In order to facilitate investors to have access to the details provided by them to trading members at the time of registration of their accounts, the trading members are required to comply with the following:

1. 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.
2. The timeline of 7 days should start from the day of upload of UCC to the Exchange by the trading member.
3. The trading code and the unique client code allotted to a client and the email id furnished by the client for the purpose of receiving electronic contract notes and other details, shall be communicated by the trading member through the KYC form or otherwise in writing to the clients.
4. Proof of such delivery/communication is to be maintained along with the registration documents pertaining to the clients. In respect of existing clients, the above-mentioned documents and details may be provided upon request from such clients.
5. The stockbrokers having own websites shall display all the documents executed by a client, client's position, margin and other related information, statement of accounts, etc. in the website and allow secured access by way of client-specific user id and password.
6. It is clarified that the Trading members having their own website shall display the set of standard documents on the website for information.

1.6 Execution of 'Demat Debit and Pledge Instruction' (DDPI) / Power of Attorney (POA) by clients

SEBI vide circular no. CIR/MRD/DMS/13/2010 dated April 23, 2010 issued guidelines regarding execution of Power of Attorney (PoA) by the client in favor of Stock Broker / Stock Broker and Depository Participant ("POA Guidelines, 2010"). Certain clarifications were issued vide circular no. CIR/MRD/DMS/28/2010 dated August 31, 2010 and SEBI circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/158 dated August 27, 2020 ("PoA Guidelines, 2020").

SEBI vide circular no. SEBI/HO/MIRSD/DoP/P/CIR/2022/44 dated April 04, 2022 and SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/137 dated October 06, 2022, in order to make the process more transparent and simpler, the conditions as specified below are made part of a separate document viz. 'Demat Debit and Pledge Instruction'(DDPI) (Enclosed in Annexure B), under which the clients shall explicitly agree to authorize the stock broker/stock broker and depository participant to access their BO account for the limited purpose specified.

The DDPI shall serve the same purpose of PoA. The use of DDPI shall be limited only for the following purposes **(Please refer Annexure B for format)**:

i. For transfer of securities held in the beneficial owner account of the client towards Stock Exchange related deliveries / settlement obligations arising out of trades executed by such a client on the Stock Exchange through the same stockbroker.

ii. For pledging / re-pledging of securities in favour of the trading member (TM) / clearing member (CM) for the purpose of meeting margin requirements of the client in connection with the trades executed by such a client on the Stock Exchange.

iii. Mutual Fund transactions being executed on Stock Exchange order entry platforms

iv. Tendering shares in open offers through Stock Exchange platforms

The client may use the DDPI or opt to complete the settlement by issuing physical Delivery Instruction Slip (DIS) or electronic Delivery Instruction Slip (eDIS) themselves. Hence, with the implementation of this circular, PoA shall no longer be executed for the conditions specified above.

The DDPI shall be indexed as part of the Voluntary Documents in Annexure-1 of SEBI circular no. CIR/MIRSD/16/2011 dated August 22, 2011 and shall be executed only if the client provides his/her explicit consent for the same, including internet based trading. The DDPI shall also be adequately stamped. The DDPI can be digitally signed by the clients.

The existing PoAs (executed prior to September 01, 2022) shall continue to remain valid till the time client revokes the same. Thus, the stockbroker/stockbroker and depository participant shall not directly / indirectly compel the clients to execute the DDPI or deny services to the client if the client refuses to execute the DDPI. Also, as mentioned above, PoA is optional and should not be insisted upon by the stockbroker / stockbroker depository participant for opening of the client account. A clause in this regard shall be incorporated under the sub-heading 'Additional Rights and Obligations' of the Rights and Obligations Document (Annexure-4 of SEBI circular no. CIR/MIRSD/16/2011 dated August 22, 2011) and shall read as under:

"The stockbroker / stockbroker and depository participant shall not directly / indirectly compel the clients to execute Power of Attorney (PoA) or Demat Debit and Pledge Instruction (DDPI) or deny services to the client if the client refuses to execute PoA or DDPI."

Accordingly, SEBI circular no. CIR/MIRSD/16/2011 dated August 22, 2011, stands amended to this extent.

All other provisions specified in SEBI circular no. CIR/MRD/DMS/13/2010 dated April 23, 2010, read with SEBI circular no. CIR/MRD/DMS/28/2010 dated August 31, 2010, and SEBI circular no. SEBI/HO/MIRSD /DOP/CIR/P/2020/158 dated August 27, 2020, shall continue to remain applicable.

1.7 Nomination for Eligible Trading Accounts

a) Investors opening new trading account(s) on or after October 01, 2021, shall have the choice of providing nomination or opting out nomination. Formats enclosed

under PART B. These Forms would also be applicable for any subsequent change / withdrawal of nomination.

b) In this regard, Trading Members shall activate new Trading accounts from October 01, 2021, only upon receipt of above formats.
c) The nomination and Declaration form shall be signed under wet signature of the account holder(s) and witness shall not be required. However, if the account holder(s) affixes thumb impression (instead of wet signature), then witness signature shall be required in the forms. The on-line nomination and Declaration form may also be signed using e-Sign facility and in that case witness will not be required. Intermediaries shall ensure that adequate systems are in place including for providing for eSign facility and also take all necessary steps to maintain confidentiality and safety of client records.
d) Further, all existing eligible trading and demat account holders shall provide choice of nomination as per the option given in point no. a) above, on or before September 30, 2023 failing which the trading accounts shall be frozen for trading.
e) Trading Members shall encourage their clients to update 'choice of nomination' by sending a communication on fortnightly basis by way of emails and SMS to all such UCCs wherein the 'choice of nomination' is not captured. The communication shall provide guidance through which the client can provide his/her 'choice of nomination'.
f) Trading Members may get "choice of nomination" by way of two factor authentication (2FA) login on the internet trading platform for Stock Brokers providing such services.

(Please refer Annexure B for format)

1.8 Guidelines on Identification of Beneficial Ownership

The Government of India has specified a uniform approach to be followed towards determination of beneficial ownership. Accordingly, the stock brokers shall comply with the following guidelines.

A. For clients other than individuals or trusts:

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:

a. 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.

b. In cases where there exists doubt under clause a 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.

c. Where no natural person is identified under clauses a or b above, the identity of the relevant natural person who holds the position of senior managing official.

B. For client which 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.

C. 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.

1.9 Client Registration Documents in vernacular language

In order to facilitate better understanding of the registration documents by the investors, Exchange has provided the following documents in 15 regional vernacular languages.

1. Document stating the Rights & Obligations of stock broker and client for trading on exchanges including additional rights & obligations in case of internet / wireless technology based trading.
2. Uniform Risk Disclosure Documents for all segments / exchanges.
3. Guidance Note detailing Do's and Don'ts for trading on exchanges.

The above mentioned documents in the vernacular languages are available on MCX website and can be downloaded. Trading Members are advised to make available the documents to their clients on demand and also display the same on their own website. It may be noted that the documents are a translated version of the original documents in English. In case of any ambiguity the contents of the English version would prevail.

1.10 Simplification of Account Opening Kit

In order to further simplify the process of client registration, SEBI has issued a circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016 on the captioned subject wherein it is decided that members can make available the standard documents such as Rights & Obligations, Risk Disclosure Document, Do's and Don'ts to their clients either in electronic or physical mode as per the preference of the clients after maintaining appropriate proof of dispatch/logs. 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, stockbroker shall maintain logs of the same.

1.11 Treatment of Inactive Trading account

In order to provide guidelines regarding treatment of inactive account and ensure uniformity across all the members, the following guidelines, framed in joint consultation with other Exchanges.

i. **Definition of Inactive Trading accounts:** In case of trading account, the term inactive account refers to such account wherein no trades have been carried out since last 12 (Twelve) months across all Exchanges.

ii. **Transaction in Inactive Trading accounts:** The inactive accounts identified based on the above criteria shall be flagged as 'Inactive' by the Trading Member in UCC database of all the respective Exchanges. The Members are also required to ensure that any further trading by such client should be allowed only after undertaking sufficient due diligence (including IPV) and obtaining the updated information related to KYC from the concerned Client. Appropriate disciplinary actions may be initiated in case of any trades are executed in any account flagged as 'Inactive'.

Members shall be required to undertake the fresh documentation, due diligence and IPV where a client is coming for reactivation after a period of 1 year of being flagged as inactive. However, in case a client has undertaken transaction through the Member, with respect to IPO/Mutual Fund subscription and DP operations (if the Member is a DP) during this period, the same can be considered and the requirement for fresh documentation, due diligence, and IPV may not be required.

Further, in the below mentioned conditions, as stipulated in SEBI circular dated April 24, 2020 bearing reference number SEBI/HO/MIRSD/DOP/CIR/P/2020/73, the requirement for undertaking an IPV shall not be required: -

- Where the KYC of the investor is completed using the Aadhaar authentication / verification of UIDAI.
- When the KYC form has been submitted online, documents have been provided through Digi locker or any other source which could be verified online.

Notwithstanding anything contained above, in case a client seeks re-activation before a period of 1 year of being flagged as inactive, Member shall, while reactivating the client, ensure that the basic details of such client like Address, Mobile number, Email ID, Bank/DP account are updated in its records as well in the UCC records of the Exchange. In case of any changes, necessary documents shall be collected.

Members shall also ensure that appropriate due diligence of the client is conducted on an ongoing basis in compliance with the provisions of the PMLA guidelines issued from time to time and in accordance with their respective KYC policies.

iii. All trading members are advised to upload correct status of the client code in the UCC database of the Exchanges prior to the execution of the trades.

1.12 Guidelines for online closure of trading accounts

SEBI advised Exchanges to issue guidelines to the trading members to make available the facility for online closure of trading accounts. The guidelines for online closure of trading accounts is specified below. Further Trading members are also advised to inform their clients regarding the availability of facility for online closure of trading accounts and its guidelines through emails, SMS, weekly / fortnightly / monthly newsletters etc.

i. Client shall be entitled to close the trading account through online mode without giving any reasons to the trading member. Clients shall not be restricted from requesting, through online mode or offline mode, for the closure of trading account maintained with a member, subject to the compliance requirements as stipulated by SEBI / Stock Exchange from time to time.

ii. Online request for closing of trading accounts shall be made available for the clients who have opened their accounts offline or online, by those trading members which provide facility of opening account online and provide various services to their clients in online mode. Those trading members that do not provide any services online and do not open accounts online may not be required to offer online closure of trading accounts.

iii. The request for account closure shall be done only through web portal / app of the trading member through secured access by way of client specific user ID and password (in case of internet clients) and the request send through emails, SMS, other messaging apps, etc. shall not be entertained by the trading member. As the KYC process requires e-sign post which trading accounts can be opened by the trading member, for online closure of trading account, client shall be required to e-sign the form (using Aadhaar based online electronic signature service) to be verified by the trading member in accordance with guidelines as stipulated by SEBI / Stock Exchanges from time to time.

iv. Once the application for closure of trading account is received, the member shall intimate to the client on registered email id and / or mobile number (on both, if available) about the receipt of closure request and shall not permit any further requests for execution of trades by the client. A confirmation regarding the application submitted, shall be sought from the client by way of OTP sent on the email id and / or mobile number updated in its source account (to be closed account) at the time of closure of trading account.

v. Trading account can be closed only if the client doesn't have a negative account balance and / or client do not have any open position and there are no pending arbitration matters / orders prohibiting the release of the client funds & securities at the time of account closure request. In case the client has debit balance (after considering balance across Stock Exchanges) or open positions and applies for closure of trading account, the member shall send a written response to client asking him to clear the debit balance / open positions prior to initiating the process for closure of broking account.

vi. On closure request, the member shall return funds and release all collateral and pledged securities back to the clients and close the trading account within 3 working days, subject to conditions mentioned in paragraph v above. Client needs to ensure that there are no securities / commodities available in the trading member's demat account at the time of account closure request.

vii. If the member authorises the request received, the trading account will get closed. Once the trading account is closed, thereafter trading member shall inform the same to the client and update the client status in the UCC database of the Stock Exchange as inactive / deleted, as applicable and thereafter the member is not required to report details of such client in "cash and cash equivalent" reporting.

viii. If the member rejects the client request for online closure of trading account received, the member shall mention the reason for such rejection and communicate the same to the client.

ix. Members shall ensure that the applications are processed as per the timelines mentioned above. Trading member shall maintain and store system logs of the closure instructions and e-signed electronic requests (uneditable) received in electronic form in a secured manner and the same shall be subject to 100% internal audit.

x. Notwithstanding any such closure of trading account, all rights, liabilities and obligations of the parties arising out of or in respect of transactions entered into prior to the closure of trading account 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.

1.13 Operationalisation of Central KYC Records Registry (CKYCR) and uploading of clients' KYC details

Government of India has authorized the Central Registry of Securitization and Asset Reconstruction and Security interest of India CERSAI, to act as, and to perform the functions of, the Central KYC Records Registry under the PML Rules 2005, including receiving, storing, safeguarding and retrieving the KYC records in digital form of a client. Accordingly, every reporting entities are required to capture the KYC information for sharing with the Central KYC Records Registry.

1.14 Rollout of Legal Entity Template

CKYCR, in its communication no. CKYC/2020/11 dated January 04, 2021 has specified that since CKYCR is fully operational for individual clients, it has been decided to extend CKYCR to Legal Entities (LE) as well. Accordingly, Registered Intermediaries (RIs) shall upload the KYC records of LE accounts opened on or after April 01, 2021 on to CKYCR in terms of Rule 9 (1A) of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

RIs shall ensure that in case of LE accounts opened prior to April 1, 2021, the KYC records are uploaded on to CKYCR when the updated KYC information is obtained/received from the client. RIs shall ensure that during such receipt of updated information, the clients' KYC details are migrated to current Client Due Diligence (CDD) standards.

Further, to ensure that all existing KYC records of individual clients are incrementally uploaded on to CKYCR, RIs shall upload the KYC records pertaining to accounts of individuals opened prior to August 01, 2016, as and when updated KYC information is obtained/received from the client.

Where a client, for the purpose of establishing an account based relationship, submits a KYC Identifier to a RI, with an explicit consent to download records from CKYCR, then such RI shall retrieve the KYC records online from CKYCR using the KYC Identifier and the client shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless there is a change in the information of the client as existing in the records of CKYCR.

Once KYC Identifier is generated by CKYCR, the RIs shall ensure that the same is communicated to the individual/legal entity. The provisions of this circular are not applicable to Foreign Portfolio Investors (FPIs).

1.15 Know Your Client requirements for Foreign Portfolio Investors (FPIs)

1. Securities and Exchange Board of India (SEBI), vide circular number IMD /FPI&C/CIR/P/2019/124 dated November 05, 2019, had issued the Operational Guidelines (hereinafter referred to as OG) for FPIs, DDPs

and Eligible Foreign Investors under the Securities and Exchange Board of India (Foreign portfolio Investors), Regulations 2019.

2. Subsequently, further guidelines pertaining to FPIs, DDPs and EFIs have been issued by SEBI through various circulars.

3. SEBI circular no. SEBI/HO/MRD/MRD-RAC-1/P/CIR/2022/131 dated September 29, 2022 states that it has been decided to allow foreign investors to participate in Indian ETCDs through the FPI route, subject to conditions prescribed by SEBI. regarding "Participation of SEBI registered Foreign Portfolio Investors (FPIs) in Exchange Traded Commodity Derivatives in India".

4. SEBI has also incorporated the provisions of the aforesaid circulars in the Master Circular having number SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19, 2022 which supersedes the earlier Operational Guidelines issued vide circular dated November 05, 2019. The Master circular also inter alia mentions that "The circulars mentioned in Annexure A of the aforesaid Master Circular having number SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19, 2022 shall stand rescinded with."

5. The issuance of this Master Circular. With respect to the directions or other guidance issued by SEBI, as specifically applicable to FPIs, shall continue to remain in force in addition to the provisions of any other law for the time being in force. Terms not defined in the Master Circular shall have the same meaning as provided under the Regulations.

1.16 Uploading / updating Client information in KYC records, UCC Database, KRA Database, CKYCR

Exchange Circular MCX/INSP/363/2016 dated October 21, 2016 mentions the below compliance:

With respect to uploading of Client details in UCC Database, uploading of KYC records to KYC Registration Agency (KRA) & Central KYC Records Registry (CKYCR)

1) As per the RIGHTS AND OBLIGATIONS OF MEMBERS, AUTHORIZED PERSONS AND CLIENTS, 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 financial information to the Member on a periodic basis.

2) 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.

3) 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.

4) It is reiterated that Members are required to update mandatory details for new as well as existing Clients as required in the UCC database of the Exchange for the client categories including Public and Private Companies/ Body Corporate/ Partnership Firm/ Hindu Undivided Family/ Limited Liability Partnership/ Association of Person/ Trust/ Co-Operative Society/ Artificial Judicial Person.

REGULATORY REQUIREMENTS/ REFERENCES:

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 along with Annexures 1 to 6; SEBI Circular No MIRSD/Cir- 26 /2011dated December 23, 2011

Sr. No.	Subject	SEBI Circular Number
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	The Securities and Exchange Board of India (KYC Registration Agency) Regulations, 2011.	MIRSD/Cir-23/2011 dated Dec 2, 2011
8	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
9	Uploading of the existing clients' kyc details with Central KYC Records Registry (CKYCR) System by the registered intermediaries	CIR/MIRSD/120 /2016 dated November 10, 2016
10	Operationalisation of Central KYC Records Registry (CKYCR)	CIR/MIRSD/66/2016 dated July 21,2016
11	Rollout of Legal Entity Template	SEBI/HO/MIRSD/DOP/CIR/P/2021/31 dated March 10, 2021
12	Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011	SEBI/HO/MIRSD/DoP/P/CIR/2022/46 Dated April 06, 2022
13	Implementation of Circular on 'Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011'	SEBI/HO/MIRSD/DoP/P/CIR/2022/89 Dated June 24, 2022
14	e-KYC Authentication facility under section 11A of the Prevention of Money Laundering Act, 2002 by	SEBI/HO/MIRSD/DOP/CIR/P/2019/123 dated November 05, 2019

Sr. No.	Subject	SEBI Circular Number
	Entities in the securities market for Resident Investors	
15	Clarification on Know Your Client (KYC) Process and Use of Technology for KYC	SEBI/HO/MIRSD/DOP/CIR/P/2020/73 dated April 24, 2020
16	Entities permitted to undertake e-KYC Aadhaar Authentication service of UIDAI in Securities Market	SEBI/HO/MIRSD/DOP/CIR/P/2020/80 dated May 12, 2020
17	Entities permitted to undertake e-KYC Aadhaar Authentication service of UIDAI in Securities Market – Addition of NSE to the list	SEBI/HO/MIRSD/DOP/CIR/P/2020/167 dated September 08, 2020
18	Clarifications with respect to SEBI circular no. SEBI/HO/ MIRSD/DOP/CIR/P/2020/73 dated April 24, 2020 regarding Clarification on Know Your Client (KYC) Process and Use of Technology for KYC	MCX/INSP/067/2022 dated February 9, 2022 based on SEBI email dated February 4, 2022
19	Participation of Eligible Foreign Entities (EFEs) in the commodity derivatives market	SEBI/HO/CDMRD/DMP/CIR/P/2018/134 dated October 09,2018
20	Operational Guidelines for FPIs & DDPs under SEBI (Foreign Portfolio Investors), Regulations 2019 and for Eligible Foreign Investors	IMD/FPI&C/CIR/P/2019/124 dated November 05, 2019
21	Master Circular for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors	SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19, 2022. The circulars mentioned in Annexure A of the aforesaid Master Circular having number SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19, 2022 shall stand rescinded with.
22	Nomination for Eligible Trading and Demat Accounts	SEBI/HO/MIRSD/RTAMB/CIR/P/2021/601 dated July 23, 2021

Sr. No.	Subject	SEBI Circular Number
23	Nomination for Eligible Trading and Demat Accounts – Extension of timelines and relaxations for existing account holders	SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/23 dated February 24, 2022
24	e-KYC Authentication facility under section 11A of the Prevention of Money Laundering Act, 2002 by Entities in the securities market for Resident Investors	SEBI circular No. SEBI/HO/MIRSD /DOP/ CIR/P/2019/123 dated November 05, 2019, SEBI/HO/MIRSD/DOP/CIR/P/2020/80 dated May 12, 2020, SEBI/HO/MIRSD/DOP/CIR/P/2020 dated September 08, 2020,SEBI Circular SEBI/HO /MIRSD/SEC-5/P/CIR/2022/99 dated July 20, 2022.
25	Uploading KYC information with KYC Registration Agency KRA	SEBI Circular No. MIRSD/Cir-23/2011dated December 5, 2011, SEBI Circular No MIRSD/Cir- 26 /2011dated December 23, 2011,SEBI circular MIRSD/ Cir-5 /2012 dated April 13, 2012, SEBI notification no LAD-NRO/GN/201213/35/6998 dated March 22, 2013; SEBI circular CIR/MIRSD/4/2013 dated March 28, 2013
26	Delivery of copy of duly completed Client registration forms	SEBI circular MIRSD/ SE /Cir-19/2009 dated 3rd December, 2009
27	Execution of 'Demat Debit and Pledge Instruction' (DDPI) / Power of Attorney (POA) by clients	SEBI circular No. CIR/MRD/DMS/13/2010, dated April 23, 2010; SEBI circular no CIR/MRD /DMS/28/2010 dated August 31, 2010; SEBI circular No. SEBI/HO/MIRSD /DOP/CIR/P/2020/158 dated August 27,2020, SEBI circular No. SEBI/HO/MIRSD/DoP /P/CIR/2022/44 dated April 04, 2022, SEBI circular No. SEBI/HO/MIRSD /DoP/P/CIR/2022/91 June 30, 2022, SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/137 dated October 06, 2022, SEBI circular no. SEBI/HO/MIRSD /DoP/P/CIR/2022/162 dated November 25, 2022
28	Guidelines on Identification of Beneficial Ownership	SEBI circular No. CIR/MIRSD/2/2013 dated January 24, 2013
29	Client Registration documents in vernacular language	MCX/INSP/419/2016 dated December 6, 2016

Sr. No.	Subject	SEBI Circular Number
30	Operationalization of Central KYC Records Registry CKYCR and uploading of clients' KYC details	SEBI circular CIR/MIRSD/ 66 /2016 dated July 21, 2016, SEBI circular CIR/MIRSD/120/2016 dated November 10, 2016 , SEBI circular SEBI/HO/MIRSD /DOP/CIR /P/2021/31 dated March 10, 2021
31	Online Closure of Trading Accounts	MCX/INSP/460/2021 dated July 26, 2021
32	Online Closure of Trading Accounts	MCX/INSP/524/2021 dated August 18, 2021
33	The Securities and Exchange Board of India (KYC Registration Agency) Regulations, 2011.	MIRSD/Cir-23/2011 dated December 2, 2011
34	Guidelines for Inactive Client Accounts	MCX/INSP/908/2020 dated December 02, 2020
35	Guidelines for Inactive Client Accounts	MCX/INSP/908/2020 dated December 02, 2020
36	Participation of SEBI registered FPIs in Exchange Traded Commodity Derivatives in India	MCX/FIM/560/2022 dated September 29, 2022
37	Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011	MCX/INSP/218/2022 April 12, 2022

Item 2- CONTRACT NOTES & LEVY OF BROKERAGE

2.1 Issue of contract notes

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

i. Issue of Contract Notes:

a) 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.

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

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

d) 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.

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

f) 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.

g) 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/Cir20/2005 dated Sep 8, 2005, Clause 13 of Annexure A to MIRSD/ SE /Cir-19/2009 dated Dec 3, 2009 with respect to contract notes.

a) 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.

b) 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 electronic 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.

c) 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.

d) 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.

e) Requirements for acknowledgement

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

f) 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.

g) 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 penalty as per the Penalty Structure.

h) 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.

i) 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.

j) 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.

2.2 LEVY OF BROKERAGE / REGULATORY CHARGES/LEVIES

Following levies/ brokerage can only be charged to client in the contract note:

a) **Statutory levies:** These are charges levied by Central/ State governments e.g. GST, CTT , Stamp Duty, etc. and may be recovered from client only at actuals paid/ Payable.

b) **Regulatory levies/charges:** These are charges levied by SEBI / Exchanges / Clearing **Corporations** e.g. SEBI turnover fees, Exchange transaction charges, etc. If such charges are separately recovered from client, they may be specified in contract notes or may be given under the head "Other levies, if any". **The above charges may be recovered from client only at actuals paid/ Payable.**

c) **Brokerage** can be charged as may be mutually agreed between member & client subject to maximum permissible by the Exchange and brokerage rates should be mentioned in a tariff sheet and it should be shown in a separate column in the contract notes.

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.

In case of Option Contracts: Maximum permissible brokerage rate is 2.50% of premium amount or Rs.250/- per lot, whichever is higher. Members 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. 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

In view of applicability of provisions of the Goods & Service Tax Laws which includes GST Act, GST Rules, Notifications issued from time to time herein below referred as GST Laws and with a view to facilitate members to use

common Contract Note across commodity exchanges, the “Contract Note format” is as per **Annexure B.**

The Contract Note format may be used as a Common Contract Note across commodity exchanges and it 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 member.
5. CGST, SGST, IGST and UTT percentage rate applicable as per GST laws
6. Description of Service
7. Accounting code of services

Common Contract Note format is 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.

The members are required to comply with the applicable provisions of GST Laws, and attention is also drawn to specific provisions of GST Laws; Extract of “The Central Goods And Services Tax Act, 2017” is as follows:

Important applicable provisions of the Central Goods and Service Tax Act 2017 related to Chapter VII Tax Invoice, Credit and Debit Notes.

“

THE CENTRAL GOODS AND SERVICES TAX ACT, 2017
CHAPTER VII
TAX INVOICE, CREDIT AND DEBIT NOTES

31.
(2) A registered person supplying taxable services shall, before or after the provision of service but within a prescribed period, issue a tax invoice, showing the description, value, tax charged thereon and such other particulars as may be prescribed:
Provided that the Government may, on the recommendations of the Council, by notification and subject to such conditions as may be mentioned therein, specify the categories of services in respect of which—
(a) any other document issued in relation to the supply shall be deemed to be a tax invoice; or
(b) ….

32.
(1) …
(2) No registered person shall collect tax except in accordance with the provisions of this Act or the rules made thereunder.

”

The format of Contract Note is enclosed in **Annexure-B.**

The above guidelines are subject to the member following the practice consistently for a minimum period of 1 year and the practice not being changed in the intermediate period.

Members may issue Contract Note cum Tax Invoice (in compliance with the GST laws) or Contract Note without compromising with the contents of the Contract Note format by including additional relevant details to their clients.

With changing technology and increase in usage of electronic instant messaging services other than e-mail by a large number of investors and based on the representations received by SEBI, with regard to Issuance of ECN, as stated in aforesaid SEBI circular, the following is clarified:

In addition to usual mode of delivery of ECNs to the clients through email, members may additionally send ECN through SMS / electronic instant messaging services, however certain safeguards as listed below, need to be ensured:

a The digitally signed ECNs may be sent only to those clients who have opted to receive the contract notes in an electronic form. Members may add any SMS / electronic instant messaging services as an additional mode of delivery of ECNs based on its readiness on fulfilling the further guidelines and shall provide an option to clients for receiving ECNs through such additional modes of communication.

b Members shall send ECN through SMS / electronic instant messaging services only to the applications linked to the registered mobile number/ email id of clients as uploaded by members on the Exchange portal/database.

c The client shall communicate to the member any change in the email-id / mobile number through a physical letter. If the client has opted for internet-based trading (IBT), the request for change of email id / mobile number may be made through the secured access by way of client specific user id and password.

d ECN sent through SMS / electronic instant messaging services, shall be sent as an attachment and not as a link. The attached file may be secured with the digital signature, encrypted, non tamperable and password protected.

e The messages sent through SMS / electronic instant messaging services not to be covered under auto delete facility at the option of the members.

f The members shall ensure that all ECNs are sent from the same ID and appropriate logs (sent/delivered/seen/not delivered/blocked etc.) are maintained by the members regarding the same.

g Other existing requirements for issuance of ECN, like publishing of ECN on the designated website of the member, access to the website to enable clients to

access ECNs, maintenance of proof of delivery (ECN log), sending in physical mode in case of non-delivery (bounced mails), etc. as mentioned in SEBI Circular MRD/DoP/SE/Cir-20/2005 dated Sep 8, 2005 should continue to be applicable

2.3 Display of Brokerage, Statutory & Regulatory Levies

In order to bring more transparency to investors on the brokerage and other charges being levied by the members, Exchanges in consultation with SEBI have advised members that the details of brokerage/charges to be levied for each order shall be prominently displayed to the investor on the "Order placement window/screen" on their Internet Based Trading (IBT) / Wireless Trading (WT) applications prior to placement of order.

REGULATORY REQUIREMENTS/ REFERENCES:

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 stockbroker (trading members included)	Clause 13 of Annexure A to MIRSD/SE /Cir-19 /2009 dated Dec 3, 2009
5	Format of revised Contract Note	MCX/INSP/174/2017 dated June 09, 2017
6	Issuance of Electronic Contract Notes (ECN) through SMS/electronic instant messaging services	MCX/INSP/337/2022 dated June 08, 2022
7	Display of Brokerage, Statutory & Regulatory Levies	MCX/CTCL/567/2022 October 03, 2022

Item 3 - MARGIN COLLECTION FROM CLIENTS

3.1 All margins should necessarily be collected from the respective client only.

a. The **member** shall have to report the margin collected from each client, as at EOD and peak margin collected during the day, in the following manner:

a) EOD margin obligation of the client shall be compared with the respective client margin available with the TM/CM at EOD.

AND

b) Peak margin obligation of the client, across the snapshots, shall be compared with respective client peak margin available with the TM/CM during the day.

Higher of the shortfall in collection of the margin obligations at (a) and (b) above, shall be considered for levying of penalty as per the extant framework.

b. False/ Incorrect reporting of Margins Non-compliance:

Margin amount reported to the Clearing Corporation (CC)/Exchange as collected, however margins not collected in any method prescribed by Exchange / CC, if considered by the member as margins collected would be construed as false/incorrect reporting to the Exchange/CC.

c. Penalty structure in case of false/incorrect margin reporting:

In case, false reporting of margins is observed, the penalty structure for disciplinary action as stipulated in Exchange Circular MCX/INSP/712/2019 dated December 18, 2019

d. Penalty in case of short reporting of margin shall not to be passed on to the clients:

The Exchange had clarified vide its' circular nos. MCX/INSP/659/2020 dated September 09, 2020, MCX/INSP/672/2021 dated October 22, 2021 and MCX/INSP/303/2022 dated May 24, 2022 with respect to "Clarification on Margin collection & reporting", that Members are not permitted to pass on the penalty levied by clearing corporation on account of "short/non-collection of upfront margins" to clients under any circumstances.

Member shall not pass on the penalty w.r.t short collection of upfront margins to clients under any circumstances.

In case of failure (requirement not met by the client) on part of the client, resulting which penalty is levied by the Clearing Corporation on the member for short reporting of margins other than 'upfront margins' such as MTM margin and other margins not forming part of upfront margin (like Additional Margin, Special Margin, Tender Margin, Delivery Margin and Concentration Margin), member may pass on the actual penalty to the client, provided he has evidence to demonstrate the failure on part of the client. Wherever penalty for short reporting of margins other than 'upfront margins' is being passed on to the client relevant supporting documents for the same should be provided to the client.

Member shall submit an undertaking to Exchange on half yearly basis (i.e. April- September and October-March) confirming that penalty levied by clearing corporation on account of "short/non-collection of upfront margins from clients" is not being passed on to respective clients under any circumstances. Further members are requested to note that submission of the said undertaking shall be made part of periodic internal audit report and henceforth the same shall be provided by member for the applicable period along with internal audit report of said periods to Exchange.

3.2 Acceptance of Collateral from clients only by way of "Margin Pledge"

TM / CM shall, inter alia, accept collateral from clients in the form of securities, only by way of 'margin pledge', created in the Depository system in accordance with Section 12 of the Depositories Act, 1996 read with Regulation 79 of the SEBI (Depositories and Participants) Regulations, 2018 and the relevant Bye Laws of the Depositories. Section 12 of the Depositories Act, 1996 read with Regulation 79 of the SEBI (Depositories and Participants) Regulations, 2018 and the relevant Bye Laws of the Depositories clearly enumerate the manner of creating pledge of the dematerialised securities.

Any procedure followed other than as specified under the aforesaid provisions of law for creating pledge of the dematerialised securities is prohibited. It is clarified that an off-market transfer of securities leads to change in ownership and shall not be treated as pledge. Transfer of securities to the demat account of the TM / CM for margin purposes (i.e. title transfer collateral arrangements) has been prohibited. In case, a client has given a power of attorney in favour of a TM / CM, such holding of power of attorney shall not be considered as equivalent to the collection of margin by the TM / CM in respect of securities held in the demat account of the client. Depositories have provided a separate pledge type viz. 'margin pledge', for pledging client's securities as margin to the TM / CM. The TM / CM shall have a separate demat account for accepting such margin pledge, which is tagged as 'Client Securities Margin Pledge Account'.

For the purpose of providing collateral in form of securities as margin, a client shall pledge securities with TM, and TM shall re-pledge the same with CM, and CM in turn shall re-pledge the same to Clearing Corporation (CC). The complete trail of such re-pledge shall be reflected in the de-mat account of the pledgor. The TM shall re-pledge

securities to the CM's 'Client Securities Margin Pledge Account' only from the TM's 'Client Securities Margin Pledge Account'. The CM shall create a repledge of securities on the approved list to CC only out of 'Client Securities Margin Pledge Account'. In this context, re-pledge would mean endorsement of pledge by TM / CM in favour of CM/CC, as per procedure laid down by the Depositories. The TM and CM shall ensure that the client's securities repledged to the CC shall be available to give exposure limit to that client only. Dispute, if any, between the client, TM / CM with respect to pledge, re-pledge, invocation and release of pledge shall be settled inter-se amongst client and TM / CM through arbitration as per the bye-laws of the Depository. CC and Depositories shall not be held liable for the same. Securities that are not on the approved list of a CC may be pledged in favour of the TM / CM. Each TM / CM may have their own list of acceptable securities that may be accepted as collateral from client.

TM / CM are prohibited from holding any client securities in any beneficial owner accounts of TM/CM, other than specifically tagged accounts.

Operational mechanism for margin pledge

INITIATION OF MARGIN PLEDGE

1. For the purpose of providing collateral in form of dematerialised securities as margin, a client shall initiate the margin pledge only in favour of the TM / CM's separate client securities margin account tagged as 'Client Securities Margin Pledge Account' through physical instruction or electronic instruction mechanism provided by the Depositories. Such instructions shall have details of client UCC, TM, CM and Default Segment.
2. In cases where a client has given a 'Demat Debit and Pledge Instruction' ("DDPI")/ Power of Attorney (the "POA") to the TM / CM, the TM / CM may be allowed to execute the margin pledge on behalf of such client to the demat account of the TM / CM tagged as 'Client Securities Margin Pledge Account'.
3. The 'pledge request form' shall have a clause regarding express consent by the client for repledge of the securities by the TM to CM and further by the CM to CC.
4. On receipt of the margin pledge instruction either from the client or by TM / CM as per the DDPI/ POA, DP of a client shall initiate a margin pledge in the client's account and the status of instruction will remain pending till confirmation is received from client / pledgor. The client will submit acceptance by way of One Time Password (the "OTP") confirmation on mobile number / registered e-mail id of the client or other verifiable mechanism. The Depositories shall develop a verifiable mechanism for confirmation of the pledge by the client.
5. In client account, margin pledge or re-pledge shall be reflected against each security, if it is pledged / re-pledged and in whose favour i.e. TM / CM / CC.
6. The TM can re-pledge only in favour of CM's demat account tagged as 'Client Securities Margin Pledge Account'. The CM shall create a re-pledge of securities on the approved list only to the CC out of 'Client Securities Margin Pledge Account'. While re-pledging the securities to the CC, CM/TM shall fully disclose the details of the client wise pledge to the CC/CM. CM would need to have visibility of client level position and client collateral so that CM shall allow

exposure and / or margin credit in respect of such securities to that client to whom such securities belong.

Release of Margin Pledge

In case of a client creating pledge of the securities in favour of the TM / CM against margin, the TM / CM may release the 'margin pledge' after their internal exposure and risk management checks. The request for release of pledge can be made by the client to its DP or to the TM / CM, who shall release the pledge in the Depository system.

For release of client securities given to TM/CM as margin pledge and which are re-pledged in favour of the CC, the CM shall make a request to the CC. The client through TM, or the TM on his own, may request the CM to make an application to the CC for the release of margin pledge. CC shall do margin utilisation check at the CM level before releasing the re-pledge of securities to the CM. The CC will release the re-pledged client securities to CM after blocking other available free collateral of CM. The CM /TM in turn after doing their risk management shall release the securities to TM / client, as the case may be.

Invocation of Margin Pledge

a) In case of default by a client of TM where the clients securities are re-pledged with the CM/ CC, the invocation request shall be made by the TM to CM and CM in turn will make request to CC as per the procedure laid down by the Depositories under their bye-laws.
b) In case of default by a client of TM who has pledged securities with TM, The TM shall invoke the pledge.
c) In case of default by a client of TM whose securities are re-pledged by TM with CM, the invocation request shall be made by TM to the CM. The CM, after doing its internal exposure and risk management, shall release the re-pledged securities to the 'Client Securities Margin Pledge Account' of the TM. The TM in turn will invoke the pledge of client's securities. .
d) In the event of default by a client of a TM, whose securities are re-pledged by TM with CM and CM in turn has re-pledged with CC, the TM shall make a request for invocation of pledge with CM and CM in turn shall file a request with CC to release the re-pledged securities for invocation. The CC shall block equivalent available free collateral provided by CM and shall release the re-pledged securities of that defaulting client of TM to CM in "Client Securities Margin Pledge Account" of CM. The CM shall do his own risk assessment of TM and would release re-pledged securities of the defaulting client of TM in "Client Securities Margin Pledge Account" of TM and TM shall invoke the pledge in Demat account of the client. In case of default by a client/ TM of CM whose securities are re-pledged with CC, CM shall file a request with CC for invocation of the pledged/ re-pledged securities of that client/TM. CC shall block the equivalent available free collateral provided by CM and shall release the re-pledged securities of that defaulting client/TM

in “Client Securities Margin Pledge Account” of CM and the CM shall invoke the pledge in Demat account of the client/ TM. In case of default by TM or client of TM, CM shall be entitled to invoke pledged/ re-pledged securities of the TM. CM shall also be entitled to invoke directly the repledged securities of client of TM having open position with CM to close out such positions. In case of default by the CM, CC shall invoke securities pledged by the CM. After exhausting the CM own collateral, CC may also invoke re-pledge securities of that client who has open position, and their re-pledged securities are blocked by CC to close out their open positions. The re-pledge securities of other clients who did not have any open position with CC, their securities shall not be available to CC for invocation to meet settlement default of the CM.

Framework for utilisation of client’s pledged securities for exposure and margin

a) At present, the margin requirement is computed in real time at client level by the CC and is aggregated at the level of CMs to arrive at the total margin requirement. The CC maintains and monitor the collateral at the level of CM. The CM is required to provide the collateral in various acceptable forms such as Cash, Bank Guarantee, Govt. Securities, pledge of acceptable shares, etc.

b) The day-to-day real time risk management with respect to client / TM exposure, and the margin requirement shall continue to be the responsibility of the CM, and CC shall not monitor the client level exposure against the available client level collateral in real time.

c) In order to provide exposure to CM and/or to the clients / TM of a CM, CC shall aggregate margin requirement at CM level that shall be compared against the available collateral in real time as aggregate of;
    a. cash and cash equivalent deposited by CM,
    b. own securities pledged by CM with CC,
    c. CC requires minimum 50% of the collateral to be deposited in cash and cash equivalent, if the total securities pledged by CM with CC exceed the total cash and cash equivalent, the value of securities will be restricted to amount of cash and cash equivalent.
    d. The TM’s proprietary margin requirement will be treated as a client of CM and aggregated along with other clients.

d) CM shall be allowed to re-pledge acceptable/approved client securities with the CC by furnishing the UCC wise client details. CC shall not allow any exposure to the CM on re-pledged securities of the client / TM. In case of a trade by a client / TM whose securities are re-pledged with CC, the CC shall first block the available collateral provided by CM as mentioned in point (c) above. However, at periodical interval (latest by end of day), CC shall

release the blocked securities collateral of CM to the extent of re-pledged securities collateral of that client / TM available with the CC.

e) In the event of default by a client of TM, the TM shall make good the default to CM. In the event of default by a client or TM on its proprietary position, the CM shall make good the default to CC. However, in the event of default by client/s leading to default of TM and also the CM, the following process shall be applied by TM/CM/CC for invocation of pledged and re-pledged securities of client/TM/CM:
   i) In case of default by a client of TM/CM or default of TM leading to the default of CM, CC shall:
      a. encash the available collateral including cash, cash equivalent collateral, CM's own pledged securities.
      b. After encashing the available collateral of CM, also be entitled to directly invoke the re-pledged securities of client / TM who has any open position so as to close out the open positions of that client.
      c. not be entitled to invoke re-pledged securities of those clients who did not have any open position to meet settlement obligation of the defaulting CM
   ii) In case of default by a client of TM or default of TM, CM Shall:
      a. be entitled to liquidate available cash, cash equivalent collateral and TM's own pledged /or re-pledged securities with CM/ CC to meet settlement/margin obligations of defaulting TM or client(s) of that TM.
      b. After encashing the available collateral of TM, be entitled to directly invoke repledged securities of the client of defaulting TM who has open position through CM so as to close out his position.
      c. not be entitled to invoke re-pledged securities of those clients of defaulting TM who did not have any open position,
      d. ensure that the client securities of TM/ CM re-pledged with the CC are not utilized for meeting the margin requirement/ settlement obligation of a TM's/CM's own proprietary position or margin requirement/ settlement obligation of any other client of TM / CM.

Changes to the Framework to Enable Verification of Upfront Collection of Margins from Clients in Cash and Derivatives segments as per SEBI/HO/MRD2/DCAP/P/CIR/2022/60 May 10, 2022

1. In view of the representations received from market participants and based on deliberations with various stakeholders, it has now been decided that EOD margin collection requirement from clients, in derivatives segments (including commodity derivatives), shall also be calculated based on the fixed BOD margin parameters.

2. It is clarified that the above-mentioned change is only for the purpose of verification of upfront collection of margins from clients. The margin parameters applicable for collection of margin obligation by Clearing

Corporations shall continue to be updated on intra-day and EOD basis, as per the extant provisions.

REGULATORY REQUIREMENTS/ REFERENCES:

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.
3	Margin obligations to be given by way of Pledge/ Re-pledge in the Depository System	SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020
4	Framework to Enable Verification of Upfront Collection of Margins from Clients in Cash and Derivatives segments	SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated July 20, 2020
5	Execution of 'Demat Debit and Pledge Instruction' (DDPI) for transfer of securities towards deliveries / settlement obligations and pledging / repledging of securities	SEBI/HO/MIRSD/DoP/P/CIR/2022/44 dated April 04, 2022
6	Changes to the Framework to Enable Verification of Upfront Collection of Margins from Clients in Cash and Derivatives segments	SEBI/HO/MRD2/DCAP/P/CIR/2022/60 May 10, 2022
7	Short reporting of margin shall not to be passed on to the clients	Exchange circular nos. MCX/INSP/659/2020 dated September 09, 2020, MCX/INSP/672/2021 dated October 22, 2021, and MCX/INSP/303/2022 dated May 24, 2022
8	Changes to the Framework to Enable Verification of Upfront Collection of Margins from Clients in Cash and Derivatives segments	SEBI/HO/MRD/MRD-PoD-2/P/CIR/ 2023/016 dated February 01, 2023

Item 4 - DEALINGS WITH CLIENTS

4.1 Mode of payment and delivery

The brokers and authorized persons should not accept cash from the client whether against obligations or as margin for purchase of commodities derivatives and / or give cash against sale of commodities derivatives to the clients.

All payments shall be received / made by the brokers from / to the clients strictly by account payee crossed cheques / demand drafts or by way of direct credit into the bank account through NEFT, or any other mode allowed by RBI. The brokers shall accept cheques drawn only by the clients and issue cheques in favour of the clients only, for their transactions.

All payments shall be received / made by the stockbrokers 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.

4.2 Receipt of funds in the form of Pre-funded instruments / Electronic fund transfers:-

SEBI vide Circular No. SEBI / MRD / SE / Cir-33 / 2003 / 27 / 08 dated August 27, 2003, while specifying the mode of receipt and payment of funds, has permitted the stockbrokers to accept Demand Drafts from their clients.

While receiving funds from the clients through pre-funded instruments, such as, Pay Order, Demand Draft, Banker's cheque, etc., it is observed that the stockbrokers are unable to maintain an audit trail of the funds so received, as the details of the name of the client and bank account-number are not mentioned on such instruments. This may result in flow of third-party funds / unidentified money, which is not in accordance with the provisions of SEBI Circular No. SEBI / MRD / SE / Cir-33 / 2003 / 27 / 08 dated August 27, 2003 and also affects the integrity of the securities market.

Therefore, with a view to address the aforesaid concerns, it has been decided as under:

1) 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.

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

4.3 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.

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d) 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 i C (ii) or i C [iv] given above;

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

e) 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, counterclaim 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, 1956, SEBI Act ,1992, SEBI Regulations and SEBI circulars, Business Rules and Exchange circulars, Exchange Byelaws, Rules as applicable from time to time.

viii. **Ensure compliance as per SEBI circular MRD/DoP/SE/CIR-11/2008 dated April 17, 2008 and SEBI circular SMD/SED/CIR/93/23321 dated November 18, 1993.**

4.4 Settlement of Running Account of Clients' Funds

The settlement of funds / securities shall be done within 1 working day of the payout, unless specifically authorized by client to maintain running account subject to the following conditions:

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

- ❖ Authorization shall be signed by the client only & not by any POA/DDPI holder.
- ❖ Actual settlement of funds shall be done by the TM, at least once on first Friday of the Month or Quarter as per the preference of the client.

As per **SEBI circular no. SEBI/HO/MIRSD/DOP/P/CIR/2022/101 dated July 27, 2022,** the actual settlement of funds shall be done by the member on first Friday of the Month or Quarter as per the preference of the client.

The settlement of running account of funds of the client shall be done by the trading member on first Friday of the Quarter (i.e., Apr-Jun, Jul-Sep, Oct-Dec, Jan–Mar) for all the clients who have opted for quarterly settlement i.e., the running account of funds shall be settled on first Friday of October 2022, January 2023, April 2023, July 2023 and so on. If first Friday is a trading holiday, then such settlement shall happen on the previous trading day after considering the End of the day (EOD) obligation of funds as on the date of settlement across all the Exchanges.

For clients, who have opted for Monthly settlement, running account shall be settled on first Friday of each month. If first Friday is a trading holiday, then such settlement shall happen on the previous trading day.

Further, as per SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021, for the clients having credit balance, who have not done any transaction in the 30 calendar days since the last transaction, the credit balance shall be returned to the client by trading member, within next three working days irrespective of the date when the running account was previously settled. Further, after settlement, if such client returns to the member with fresh funds and no trades are executed during this period, then members may compute the 30 calendar days for the purpose of subsequent settlement from the day the member receives funds instead of the last transaction date. However, member shall settle running account of client on first Friday of the quarter or month as per the preference of the client irrespective of date of his/her last transaction or receipt of funds.

The trading member shall note the following points for the purpose of actual settlement of funds:

1 While settling the account, the broker shall send to the client a ‘statement of accounts’ containing an extract from the client ledger for funds displaying all receipts/payments of funds/securities. The statement shall also explain the retention of funds/securities and the details of the pledge, if any.
2 The client shall bring to notice any dispute within 7 working days from the date of receipt of funds / securities or statement.
3 No inter-client adjustment for the purpose of settlement of the “running account”.
4 Such periodic settlement may not be necessary:
   a. In case of institutional clients settling trades through “custodians”
   b. For margin received in the form of BGs and FDRs
   c. In the case of new clients, no settlement would be required in the month/quarter in which funds are received by the Member for the first time. However, members shall ensure that, if the client is having credit balance, and has not done any

transaction in the 30 calendar days since the last transaction, the credit balance shall be returned to the client by TM, within next three working days.

d. Clearing members who are clearing trades of custodial participants/ trading members.

5 Settlement is done after considering the End of the day (EOD) obligation of funds as on the date of settlement across all the Exchanges.

Other Points to be noted:

a. Client's running account shall be considered settled only by making actual payment into client's bank account and not by making any journal entries. Journal entries in client account shall be permitted only for levy / reversal of charges in client's account.
b. For the clients having credit balance, who have not done any transaction in the 30 calendar days since the last transaction, the credit balance shall be returned to the client by TM, within next three working days irrespective of the date when the running account was previously settled.
c. Members may issue a physical payment instrument (cheque or demand draft), only in cases where electronic payment instructions have failed or have been rejected by the bank and after keeping adequate record of the same. In such cases, the date of debit of funds in members bank account towards clearance of said physical instrument shall be considered as settlement date and not the date of issue of physical instrument.
d. Retention of any amount towards administrative / operational difficulties in settling the accounts of clients is not allowed.
e. The Authorized person is not permitted to accept client's funds and securities. The TM should keep a proper check. Proprietary trading by Authorized person should be permitted only on his own funds and securities and not using any of the client's fund.
f. Once the TM settles the running account of funds of a client, an intimation shall be sent to the client by SMS on mobile number and also by email. The intimation should also include details about the transfer of funds (in case of electronic transfer – transaction number and date; in case of physical payment instruments – instrument number and date). TM shall send the retention statement along with the statement of running accounts to the clients as per the existing provisions within 5 working days.
g. Client shall bring any dispute on the statement of running account, to the notice of TM within 7 working days from the date of the statement.
h. 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.
i. 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.
j. 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 working days from the date when the account is considered to be settled.

Members are advised to ensure that the settlement of running account of clients' funds is done in accordance with the guidelines issued by SEBI/ Exchanges.

If the client specifically requests for a pay-out, the same shall be made and the evidence of such requests received from clients shall be maintained by the member. It is to be noted that for each such payout to the credit balance clients, a separate request received from clients, which could be, inter alia, in the form of writing, telephone recording, email from registered mail id, record of messages through registered mobile phones, log for internet requests shall be maintained by the members.

In order to monitor the compliance of timely settlement of running account of clients' funds and to verify that excess clients' funds are not retained by the TM as on the date of settlement of running account, it has been decided in joint consultation with other Exchanges and SEBI that members shall report the summary of settlement of clients' funds and UCC wise settlement details to the Exchange within the prescribed timelines as specified below:

Sr. No.	Reporting Requirement	Timelines
1.	Submission of summary of settlement of clients' funds	Within 2 Trading Day post settlement date
2.	Submission of UCC wise settlement details	Within 10 trading days post settlement date

Note:

1) The above requirement is applicable to all Trading members, except for those who are carrying out only proprietary trading and/or only trading for institutional clients.
2) Members carrying out only proprietary trading and/or only trading for institutional clients will have to give a one-time declaration through the system.
3) Members servicing both institutional & non-institutional clients shall be required to submit the data for all non-institutional clients.
4) Reporting requirement on Settlement of Running Account of Clients' Funds lying with Trading Member (TM) - MCX/INSP/016/2023 January 07, 2023 and MCX/INSP/016/2023 January 07, 2023.
5) Settlement of Running Account of Client's Funds lying with Trading Member (TM) - MCX/INSP/207/2023 dated March 29, 2023.

4.5 FAQs on Settlement of Running Account of Client's Funds

In case of client having any outstanding trade position on first Friday of the Month / Quarter on which settlement of running account of funds is scheduled, a Trading member may retain funds calculated in the manner specified below:

i. Entire pay-in obligation of funds outstanding at the end of day on date of settlement, across all segments.

ii. Member may retain 50% of end of the day (EOD) margin requirement as cash margin, excluding the margin on consolidated crystallized obligation/ MTM.

iii. Apart from 50% cash margin mentioned in point ii above, member may also retain 225% of EOD margin (which includes additional 125% margin) reduced by 50% cash margin and the value of securities (after applying appropriate haircut) accepted as collateral from the clients by way of 'margin pledge' created in the Depository system for the purpose of margin and value of commodities (after applying appropriate haircut). The margin liability shall include the end of the day margin requirement in all the segments across exchanges excluding the margin on consolidated crystallized obligation/ MTM. The margin liability may also include the margin collected by the Member from their clients as per the risk management policy and informed to the clients.

Computation for arriving at retention of excess client funds based on above points would be as under:

Scenario	*Fund Pay in Obligation for T & T-1 day*	*EOD Margin Requirement*	*Cash margin to be retained (50% of EOD Margin)*	*Computation of 225% of margin to be retained*			*Client Funds Balance*	*Maximum funds that can be retained (i.e. Sum of cash margin to be retained, non-cash 225% EOD margin after securities /commodities adjustment and funds pay in obligation)*	*Client Funds to be returned (i.e. client fund balance if available after adjusting maximum funds that can be retained)*
				225 % of EOD margin minus cash margin as computed in column C	*Securities Pledged / Repledged or commodities*	*225% of EOD margin to be retained from funds if available after adjusting securities pledged/repledged or commodities*			
	A	*B*	*C= 50%* B*	*D = (225% * B)-C*	*E*	*F =MAX((D-E),0)*	*G*	*H=A+C+F*	*I=MAX((G-H),0)*
1	*110000*	*100000*	*50000*	*175000*	*200000^*	*0*	*300000*	*160000*	*140000*
2	*150000*	*150000*	*75000*	*262500*	*300000^*	*0*	*200000*	*225000*	*0*
3	*100000*	*100000*	*50000*	*175000*	*125000*	*50000*	*210000*	*200000*	*10000*
4	*15000*	*200000*	*100000*	*350000*	*200000*	*150000*	*300000*	*265000*	*35000*
5	*0*	*25000*	*12500*	*43750*	*200000^*	*0*	*10000*	*12500*	*0*
6	*5000000*	*12500000*	*6250000*	*21875000*	*30000000^*	*0*	*50000000*	*11250000*	*38750000*

^ *Excess securities need not to be unpledged.*

An indicative format of retention statement is mentioned in Annexure B . In case of any other format, members should ensure that the contents specified by the relevant circulars are covered in the retention statement.

Note:

a) Client's running account shall be considered settled if member has given instructions to bank for credit to client's bank account, provided that the member has sufficient balance in its account.
b) While computing the value of securities, the closing rate for the trade date prior to the settlement date (T-1 day) should be considered after appropriate hair-cut viz. VaR margin rate applicable for the security in the Capital Market segment.
c) In case the member applies haircut more than VaR rate on a regular basis and the actual margin is collected and exposure is provided accordingly, then such higher rate may be considered for determining the amount to be retained, provided the member has intimated the requirement of additional margins to the clients through the policy and procedures document and consistently through the daily margin statements issued to clients.
d) No inter client adjustment/ passing of Journal Entries can be done/ considered for the purpose of settling client accounts.
e) Obtaining of authorization from the clients to the effect that no settlement need be done for running accounts is contradictory to the SEBI requirement and hence not permissible.

Based on representations and queries received from members, Exchange has issued clarification to the frequently asked questions (FAQs) on Settlement of Running Account of Client's Funds vide Exchange circular MCX/INSP/551/2022 dated September 26, 2022

REGULATORY REQUIREMENTS/ REFERENCES:

Sr. No.	Subject	Circular No.
1	Reporting requirement on Settlement of Running Account of Clients' Funds lying with Trading Member (TM)	MCX/INSP/016/2023 January 07, 2023 and MCX/INSP/016/2023 January 07, 2023.
2	Settlement of Running Account of Client's Funds lying with Trading Member (TM)	MCX/INSP/207/2023 dated March 29, 2023.
3	Penalty Structure for Late/Non-submission of reporting requirement on Settlement of Running Account of Clients' Funds	MCX/INSP/233/2023 dated April 05, 2023.
4	Settlement of Running Account of Client's Funds lying with Trading Member (TM).	SEBI/HO/MIRSD/DOP/P/CIR/2022/101 dated July 27, 2022

5	Settlement of Running Account of Client's Funds lying with Trading Member (TM)	SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021

4.6 Statement of Accounts for Funds, Securities and Commodities

Member shall send a complete 'Statement of Accounts' for funds, securities and commodities in respect of each of its clients. Members have to send the 'Statement of Accounts' on or before the next four trading days of subsequent week.

Clarifications on Statement of Accounts

i. Member shall send a complete 'Statement of Accounts' for funds and securities/commodities in respect of each of its clients on weekly basis from Monday to Saturday for each week.

ii. The client shall bring any dispute arising from the statement of account to the notice of the member preferably within 7 working days from the date of receipt of statement.

iii. The members shall not be required to send the 'Statement of Accounts' to clients with zero funds, zero securities and zero commodities balances and also has been flagged as 'Inactive' (i.e., if no trades are carried out by the client in the last 12 months across all Exchanges) in the UCC database of the Exchange.

iv. In respect of Trading Members who offer trading facility to their clients through internet and provide to such clients an access to an on-line account viewing and print-out facility, it would be treated as sufficient compliance if they send the 'Statement of Accounts' by email to such clients.

v. Members shall send the statement of accounts for funds/securities /commodities reflecting the balances of funds/securities/commodities after adjusting/reversal for open bills of the client, uncleared cheques deposited or issued by/to clients and the margin obligations posted in the client ledger, if any as on the last date of the statement i.e. Saturday of every week.

vi. Further, member shall also disclose the details of pending settlement pay in/pay out obligations of all segments and uncleared cheques in respect to the funds/ securities /commodities of the client as on last date of the statement i.e. Saturday of every week to the client in the weekly statement of accounts separately.

vii. The weekly statement of accounts sent to the clients, shall necessarily contain a clause intimating the client that the client needs to refer to the daily margin statement for any pending/outstanding margin obligation of the trades executed by the client in case the margin obligations are posted in the client ledger.

viii. Member shall ensure that the statement of account of funds /securities / commodities reflecting the balance as on the last date of the statement matches with the financial ledger balance (Clear) in Cash & Cash Equivalent submissions and securities/commodities holding in Holding Statement uploaded to the Exchange of the same date.

ix. Notwithstanding anything contained above, Member shall issue the statement of accounts for funds, securities and commodities for such period as may be requested by the client from time to time. In respect of custodian participants clients, the requirement of the aforementioned Circulars / Regulations are applicable if the Members receive funds / securities / commodities from their Custodian Participants clients and / or pay funds / deliver securities / commodities to such Custodian Participants clients directly and not through the custodians/clearing members.

x. Statement of Accounts at the time of Settlement:-

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.

Additionally, the statement of balance of funds and securities in hard form and signed by the broker shall be sent to the clients only upon request.

xi. The Members, while sending periodical statement of accounts to the clients, shall mention therein that their running account authorization would continue until it is revoked by the clients.

xii. It has been decided that while a stock broker may use the brand name / logo of its group companies, it must display more prominently 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 statement of funds and securities issued to the clients.

4.7 Financing of securities / commodities transactions

Trading members are advised not to indulge in practice of financing the Securities Transactions. Members are also advised to desist from acting as a conduit or front for financing any secondary market transactions, including transactions in commodity derivatives, entered by their clients, directly or indirectly except in accordance with the regulatory provisions of Margin Trading Facility and Securities Lending and Borrowing.

Further, attention is also drawn to SEBI circular no. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 which states that clients' securities lying with the TM/CM cannot be pledged to the Banks/NBFCs for raising funds, even with authorization by client as the same would amount to fund based activity by TM/CM which is in contravention of Rule 8(1)(f) & 8(3)(f) of Securities Contracts (Regulation) Rules, 1957.

It may be noted that facilitating any arrangements / agreement by way of loans/credit facilities by NBFCs to the clients for funding the peak margin / other margin requirements or secondary market transactions is in violation of the SCRA/SEBI guidelines.

In view of the same, members are again advised to ensure the following:

i. Trading members shall not be a party to any agreement or arrangement, directly or indirectly, entered into between their clients and any person including their subsidiary / holding company or group or associate company, to fund any secondary market transactions or margin requirements in respect of transactions executed by the trading members on behalf of their clients, or recognize or act in accordance with any such agreement or arrangement entered into by the trading members' clients with any person.

ii. Trading members shall not entertain any instructions to trade in securities or transfer of funds or securities, from any entity other than the clients, by prior arrangement or otherwise to facilitate financing of clients' transactions or margin requirements in respect of the transactions. Any financing arrangement with a general authorization by the clients are not permitted.

iii. Trading members shall not otherwise finance or act as a conduit or front for financing any secondary market transactions or margin requirements in respect of the transactions entered into by their clients, directly or indirectly except in accordance with the regulatory provisions of Margin Trading Facility and Securities Lending and Borrowing.

iv. Trading Members shall not share transaction/obligation details of the clients with NBFC or any other lending institutions.

v. Trading members shall not engage in cross-selling of lending products or open joint accounts (2 in 1 type of) in collaboration with NBFC or any other lending institutions.

4.8 Handling of client funds & securities

As per SEBI circular No. CIR/HO/MIRSD/DOP/ CIR/P/2019/ 75 dated June 20, 2019, Member shall note the following: -

a) Members shall not use client funds and securities for proprietary purposes including settlement of proprietary obligations.

b) The securities received in pay-out against which payment has been made by clients, shall be transferred to the demat account of the respective clients within one working day of the payout. Such securities shall be transferred directly from the pool account of the TM/CM to the demat account of the respective client.

c) With regard to securities that have not been paid for in full by the clients (unpaid securities), a separate client account titled – **"Client unpaid securities account"**** shall be opened by the TM/CM. Unpaid securities shall be transferred to such "client unpaid securities account" from the pool account of the concerned TM/CM.

d) The securities kept in the 'client unpaid securities account' shall either be transferred to the demat account of the respective client upon fulfilment of client's funds obligation or shall be disposed off in the market by TM/CM within five trading days after the pay-out. The unpaid securities shall be sold from the Unique Client Code (UCC) of the respective client. Profit/loss on the sale transaction of the unpaid securities, if any, shall be transferred to/adjusted from the respective client account.

Member may transfer the unpaid client securities from pool/unpaid securities demat account to client's demat account in accordance with its Risk Management (RMS) Policy. Such policy shall be duly approved by its Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) as the case may be and informed to the clients. In case the RMS policy does not permit transfer of securities to clients in the event of non-payment, then such securities shall be disposed-off within 5 trading days from the date of pay-out in proportion to the amount not received and after taking into account any amount lying to the credit of the client. The balance securities shall be transferred to the respective client's demat account. As a best practice, Members are advised to issue margin calls and reminders to clients for making payments within 5 days. Such

margin calls / reminders should also inform the clients about the disposal of the securities in case of non-payment.

e) In case the clients' securities are kept in the 'client unpaid securities account' beyond seven trading days after the pay-out, the depositories shall under their bye-laws levy appropriate penalties upon such TM/CM which shall not be permitted to be recovered from the client.

f) Clearing Corporation has provided a facility for reversal of excess securities provided as early pay-in (EPI) on Trade day (T day). Accordingly, Clearing corporations shall release excess EPI if any, after the cut-off time for EPI of securities on T day and reverse the same to clearing members who have opted for such facility in the respective depositories. Members are also advised to ensure that excess securities provided as early pay-in (EPI) and released by the clearing corporation/clearing member on T Day are also transferred to the respective beneficiary account of their clients on the Trade day (T Day) itself.

***"**Client unpaid securities pledgee account**", which shall be opened by TM/CM as per SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 dated November 11, 2022.All the existing "client unpaid securities accounts" shall be wound up on or before April 15, 2023. The securities lying in such accounts shall either be disposed off in the market or be transferred to the client's demat account by the TM/CM accordingly, failing which such accounts shall be frozen for debit and credit.*

4.9 Segregation and Monitoring of Collateral at Client Level

SEBI has vide Circular No. SEBI/HO/MRD2_DCAP/CIR/2021/0598 dated July 20, 2021 prescribed guidelines regarding Segregation and Monitoring of Collateral at Client Level.

4.10 Prevention of Unauthorised Trading by Stock Brokers

In order to strengthen the regulatory provisions against un-authorised trades, SEBI vide its circular dated March 22, 2018 bearing Ref no. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 has directed all members to execute trades of clients only after keeping evidence of the client placing the order which 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, in case the order instructions are received from clients through telephone, the member shall mandatorily use telephone recording system to record the instructions and maintain such recordings as part of its records.

Brokers are required to maintain the records specified in point (a) to point (f) stated above for a minimum period for which the arbitration accepts investor complaints as notified from time to time. However, in cases where dispute has been raised, such records shall be kept till final resolution of the dispute.

It may be noted that in case of any dispute, the burden of proof will be on the member to produce the above records. However, for exceptional cases such as technical failure etc. where broker fails to produce order placing evidence, 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.

When dispute arises, the burden of proof will be on the broker to produce the above records for the disputed trades.

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

4.11 Issuance of Annual Global Statement

SEBI has directed that all members shall issue an Annual Global Statement to their clients. The statement shall be issued 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 so that it would be helpful to the investors to ascertain the profit or loss made, long term or short term capital gain and also helpful in filing income tax returns, since all transactions done in a particular period are available at one place.

Further, following points shall be ensured by the members:

a) The Stock Broker may provide any additional data like ISIN, average rate, net position, etc.
b) Consolidated report to be given for entire financial year.
c) Each distinct security/ commodity should be mentioned as a separate line item.
d) The Annual Global Transaction Statement (AGTS) may be given on trade day basis or settlement day basis.
e) AGTS should be generated PAN wise. However, a single PAN has been issued multiple UCCs (e.g. NRI clients, different UCCs allotted across different segments/ exchanges), then UCC wise
AGTS may be provided.
f) Effect of close out/ settlement / auction transactions should be mentioned in the purchase/ sale column, as appropriate.
g) AGTS must be provided to all the clients within 30 days from the end of the financial year.

h) Regulatory directives as applicable from time to time regarding communication to clients should be adhered to
i) All charges mentioned in the contract notes like Securities/ Commodities Transaction Tax, Stamp Duty, Exchange Transaction Charges, SEBI turnover fees, etc. should be provided in the report appropriately.
j) If the client desires any further information/ details regarding the AGTS, the same should be provided by the Stock Broker.

Issuance of Annual Global Statement by stock brokers to their clients / investors (MCX/INSP/013/2018 January 12, 2018 and MCX/INSP/444/2017 November 28, 2017)

4.12 Discontinuation of acceptance of cash by Stock Brokers

SEBI vide its circular Ref no. SEBI/HO/MIRSD/DOP/CIR/P/2018/113 dated July 12, 2018 has modified paragraph 3 of the SEBI circular Ref no. SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003 and clarified that Stock brokers shall not accept cash from their clients either directly or by way of cash deposit to their bank account.

4.13 Code of conduct:

Members should comply with code of conduct prescribed for Stock Brokers under Regulation 9 of SEBI (Stock Brokers) Regulations, 1992 and all relevant Rules, Byelaws, Regulations and Business Rules of SEBI/Exchange w.r.t. sharing of Brokerage, account opening, inducement to trade, sales practices, orders placement etc. issued from time to time.

4.14 Authorised Persons, SEBI Registered Portfolio Managers and Investment Advisors:

Authorised Persons (A.P), SEBI Registered Portfolio Managers and Investment advisors shall continue to be governed by the existing regulatory provisions including any changes issued from time to time.

4.15 Submission of undertaking pursuant to Standard Operating Procedure in the cases of Trading Member leading to default

This has reference to SEBI circular no. SEBI/HO/MIRSD/DPIEA/CIR/P/2020/115 dated July 01, 2020, on “Standard Operating Procedure in the cases of Trading Member /Clearing Member leading to default”.

In accordance to the point no.9 of the above mentioned circular, all members are advised to provide:

1. A list of all its bank accounts.

2. An undertaking enabling the Exchange/CC to instruct the bank(s) of the members to freeze the bank account(s) for debits in the cases of Trading Member/Clearing Member leading to default.

Further, members are requested to note that for all new bank accounts, members are required to submit the additional undertaking within seven days of the opening of the account through the inspection module.

4.16 Investor Awareness regarding margin by way of pledge / re-pledge of securities

Members are requested to create awareness among investors about procedure of pledge / re-pledge of securities and placing it as collateral with their Trading Member (TM) / Clearing Member (CM) and TM / CM shall, inter alia, accept collateral from clients in the form of securities, only by way of 'margin pledge', created in the Depository system. Members are also advised to communicate the following message to their clients and display the same on their respective websites:

"Attention Investors

1. Stock Brokers can accept securities as margin from clients only by way of pledge in the depository system w.e.f. September 01, 2020.
2. Update your email id and mobile number with your stock broker / depository participant and receive OTP directly from depository on your email id and/or mobile number to create pledge.
3. Check your securities / MF / bonds in the consolidated account statement issued by NSDL/CDSL every month..... Issued in the interest of Investors"

4.17 Display of Advisory for Investors

- Members are also advised to display the following messages on their respective websites under a separate banner "Advisory for investors". In case of non-availability of website, the same may be forwarded to the clients by way of an email:

  "Attention Investors!
- Beware of fixed / guaranteed / regular returns / capital protection schemes. Stock Brokers (Brokers/Members) or their authorized persons or any of their associates are not authorized to offer fixed / guaranteed / regular returns / capital protection on your investment or authorized to enter into any loan agreement with you to pay interest on the funds offered by you. Please note that in case of default of a member claim for funds or securities / commodities given to the Broker under any arrangement / agreement of indicative return will not be accepted by the relevant Committee of the Exchange as per the approved norms.

- Do not keep funds idle with the Stock Broker. Please note that your Stock Broker has to return the credit balance lying with them, within three working days in case you have not done any transaction within last 30 calendar days. Please note that in case of default of a Member, claim for funds and securities/commodities, without any transaction on the Exchange will not be accepted by the relevant Committee of the Exchange as per the approved norms."

4.18 Maintenance of a website by Stock Brokers and Depository Participants

SEBI vide its circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/30 dated February 15, 2023 on Maintenance of a website by stock brokers and depository participants and SEBI/HO/MIRSD/DOP/P/CIR/2021/676 dated December 02, 2021 on Publishing Investor Charter and disclosure of Investor Complaints by Stock Brokers on their websites.

As per the provisions of clause 3 and clause 4 of the said circular, SEBI has mandated following information to be published by Stock Brokers (SB) on their respective websites in addition to all such information, which have been mandated by SEBI / Stock Exchanges/Depositories from time to time.

i) Basic details of the SB / DP such as registration number, registered address of Head Office and branches, if any

ii) Names and contact details such as email ids etc. of all Key Managerial Personnel (KMPs) including Compliance Officer.

iii) Step-by-step procedures for opening an account, filing a complaint on a designated email id, and finding out the status of the complaint, etc.

iv) Details of Authorised Persons.

As per Exchange circular MCX/MEM/254/2023 dated April 18, 2023, all Members dealing in clientele business are advised to mandatorily display the information as provided in Annexure-A (refer format Annexure A-1 of the aforesaid circular) and update the information from time to time.

The confirmation of compliances mentioned in the aforesaid Exchange circular should be submitted to the Exchange in the formats in the aforesaid circular:

i. "Annexure-B" of the aforesaid circular: Declaration for Maintenance of Website* [*applicable to the Members dealing in clientele business (i.e. clients mapped to them)]
ii. "Annexure-C" of the aforesaid circular: Members dealing in only Proprietary Trading.
iii. FAQs on the aforesaid circular have been provided in "Annexure-D" of the aforesaid circular.

The provisions of this circular shall come into effect from August 16, 2023.

4.19 Naming and Tagging of bank and depositories account

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.

i. 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".
- Bank account(s) which hold own funds of the stock broker shall be named as "Name of Stock Broker - Proprietary Account".
- Demat account(s) which hold own securities of the stock broker, shall be named as “Name of Stock Broker – Proprietary Account”.
- Bank account(s) held for the purpose of settlement would be named as " Name of Stock Broker - Settlement Account"

ii. 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 Opening

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	Subtype/ tag of Demat Account (Proprietary/ Client/ Pool/ Collateral)	Date of Opening

c. Members shall also ensure compliance with the following:

1) All existing demat accounts maintained by stock brokers are assigned the appropriate nomenclature as mentioned above
2) All existing bank accounts maintained by stock brokers which do not have the above mentioned nomenclature, shall be assigned appropriate nomenclature details of all existing bank and demat accounts shall be communicated to Stock Exchanges by the stock brokers in the format specified above
3) 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.
4) 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.
5) Any non-compliance/non-reporting in this regard by the stock broker shall attract penal action as per the provisions of Stock Exchanges.

Following requirement shall be applicable:

d. In line with the prevalent regulatory requirement, it is reiterated that;

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

2) 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.

e. Stock brokers 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 payin.

iii. Uploading clients' fund balance and securities balance by the Stock Brokers on Stock Exchange/Clearing Corporation system

Stock brokers shall upload the data on a daily basis for every client onto each Stock Exchange / Clearing Corporation system where the broker is a member.

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 .

SEBI vide its circular SEBI/HO/MIRSD/ MIRSD_DPIEA/P/CIR/2022/83 dated June 20, 2022 issued circular on Naming / Tagging of demat accounts maintained by Stock Brokers

a. SEBI vide circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 had mandated uniform nomenclature to be followed by stock brokers for Naming/Tagging of Bank and Demat Accounts to reflect the purpose for which those bank/demat accounts are being maintained and the reporting of such accounts to the Stock Exchanges/Depositories.

b. Subsequently, vide circular no. CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017, circular no. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 and circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020, modifications to such naming/tagging of demat accounts have been prescribed.

SEBI vide circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 had mandated uniform nomenclature to be followed by stock brokers for Naming/Tagging of Bank and Demat Accounts to reflect the purpose for which those bank/demat accounts are being maintained and the reporting of such accounts to the Stock Exchanges/Depositories. Vide SEBI circular no. CIR/HO/MIRSD /MIRSD2/CIR/P/2017/64 dated June 22, 2017, it was also decided that naming proprietary demat accounts of the stock broker as 'Stock Broker – Proprietary Account' is voluntary and accounts which are not tagged would be deemed to be proprietary.

Thus, currently, stockbrokers are required to maintain demat accounts only under the following 5 categories:

Sr. No.	Demat Account Category	Purpose of Demat Account
1	Proprietary Account	Hold Own Securities
2	Pool account	Settlement Purpose

3	Client Unpaid Securities Account**	Hold Unpaid Securities of Clients
4	Client Securities Margin Pledge Account	For Margin obligations to be given by way of Pledge/ Re-pledge
5	Client Securities under Margin Funding Account	Hold funded securities in respect of margin funding.

"Client unpaid securities pledgee account**", which shall be opened by TM/CM as per SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 dated November 11, 2022.

Client Nodal MFOS account - SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/84 dated June 08, 2023, on the subject "Upstreaming of clients' funds by Stock Brokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs)".

SEBI vide circular SEBI/HO/MIRSD/ MIRSD_DPIEA/P/CIR/2022/83 dated June 20, 2022, has decided that all demat accounts maintained by stock brokers should be appropriately tagged. Further, it is prescribed that all demat accounts of stock brokers which are untagged need to be appropriately tagged by June 30, 2022.

4.20 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.

i. 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:

   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**

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 balance clients and proprietary trading:

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. **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|**

** 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 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 Bank Accounts- 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)

All trading members are required to submit the data towards monitoring of client's funds as on last trading day of the week on or before the next three trading days. It has come to the notice of the Exchange that members are submitting details of Fixed Deposit Receipts (FDR) not placed with clearing corporation/clearing members as a part of client bank account balances. Further, certain members are submitting details of such FDRs which are lien marked for availing overdrafts and are not unencumbered. Also Exchange has noticed that certain members are reporting Liquid Mutual Funds, Gilt Funds and Government Securities created from the client funds and lying with the Clearing Corporation and Clearing Member towards availability of client funds payable.

In view of the same, members are hereby directed that any FDRs created out of the client funds received by them should be only for the purpose of placing with Clearing Corporation / Clearing Member. Further members are also directed not to invest client funds received by them in the client bank accounts in any **Liquid Mutual Funds, Gilt Funds, Government Securities or any other liquid funds.**

4.21 Submission of 'Cash & Cash Equivalent balances', "Holding Statement and "Bank Account":

Members shall be required to submit the data of 'Cash & Cash Equivalent balances' on a weekly basis for all calendar days of the week except Sunday on or before the next four trading days of the subsequent week.

Submission of data towards 'Client Level Cash & Cash Equivalent Balances' as per MCX Circular MCX/INSP/956/2020 dated December 18, 2020 and MCX/INSP/769/2021 dated December 14, 2021.

Members shall be required to submit the data of Holding Statement and Bank Account on daily basis. Member shall submit details of Holding Statement and Bank Account Balances for each day of the week (except Sunday) daily from January 30, 2023, the due date of which shall be the subsequent day and each day thereafter.

All Members are required to ensure that submissions of "Holding Statement and Bank Account Balances" are made on daily basis correctly within timelines.

Members are requested to take note of the below while submitting:

1. Members shall make submissions for the UCC registered on the Exchange and for proprietary (OWN) trading.
2. Members are not required to upload data for clients who have zero funds, securities and commodities balances and have also not traded in last 12 months in any of the Exchanges.
3. The requirement for submissions are applicable to all Trading Members, except for those who are carrying out only proprietary trading and/or only trading for Custodian Settled clients. Members carrying out only proprietary trading and/or only trading for Custodian Settled clients will have to give a one-time declaration.
4. Members shall not be required to submit Holding statement in case of Nil holding of securities and commodities after providing declaration.
5. Members are further advised to take stock of their bank accounts and to close any accounts that are not required.
6. Members shall upload, for the UCC registered on the Exchange, Exchange-wise end of the day fund balance as per the client ledger, consolidated across all segments and also net funds payable or receivable by the members to / from the client across all Exchanges along with the securities & commodities balances.

4.22 Monitoring of Financial Strength of Stock Brokers

The Stock Exchanges shall monitor the following financial indicators and ratios of stock brokers.

Financial Indicators:

- Percentage change in net worth over last year/last submission.
- Percentage change in reserves and surplus or in accumulated losses over last year.

- Percentage change in advance/margin/collaterals from customers over last year/submission.
- Percentage change in inter corporate deposits given over last year/submission.

Financial Ratios:

- (Total outside liabilities i.e. all liabilities of a broker except those owed to his shareholders) / (Net worth).
- (Value of Investments or advances or loans to group companies or associates or firms or entities) / (Net worth).
- (Value of maximum outstanding inter corporate debt during the year) / (Net worth).
- Value of maximum outstanding inter corporate debt during the year) / (Share capital).

Stock Brokers shall submit financial statements to Stock Exchanges in the same format as prescribed under the Companies Act, 2013 irrespective of whether they fall under the purview of the 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 the Companies Act, 2013 for submission to Registrar of Companies.

No stockbroker shall appoint or re-appoint—

- an individual as statutory auditor for more than one term of five consecutive years; and
- an audit firm as statutory auditor for more than two terms of five consecutive years:

Provided that –

- An individual statutory auditor who has completed his term as mentioned 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.

- A statutory audit firm which has completed its term as mentioned 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.

- 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.

The stock brokers shall provide Permanent Account Numbers of all their Directors, Key Management Personnel and dealers to the Stock Exchanges. Any change in the aforesaid details/information shall be intimated to the Stock Exchanges within seven days of such change.

4.23 Submission of Undertaking / Authorization to the Exchange to access the information/ statements pertaining to all bank accounts (maintained by members) from Banks.

Exchange seeks information/ statements pertaining to all Bank accounts maintained by members directly from Banks or through a financial technology solution provider authorized by the Exchange. Hence, all members are required to submit Undertaking/Authorization to the Exchange for accessing the information/statements pertaining to all bank accounts, maintained by members, opened/reported to the Exchange from time to time, from Banks or through a financial technology solution provider authorized by the Exchange.

Further, members are advised to keep the Bank/s appropriately notified of the said authorization to enable them to honour the instructions received from the Exchange. Trading members shall not be required to submit updated/ fresh undertaking/authorization to the Exchange for any new bank account opened.

The member has to submit undertaking/authorization through the Enhanced Supervision portal and physical copy of undertaking also has to be sent to the corporate office of the Exchange.

Board Resolution for execution of the said undertaking/authorization and authorization for signing the same should be enclosed along with the undertaking/authorization.

Trading members shall not be required to submit updated/ fresh undertaking/authorization to the Exchange for any new bank account opened.

The format of undertaking/authorization is appended below.

Format of Undertaking

To be on Member's Letterhead with Designated Director's signature and Stamp UNDERTAKING/AUTHORIZATION TO BE SUBMITTED BY TRADING MEMBERS To Multi Commodity Exchange of India Limited (MCX) This undertaking/authorization is provided on this _____day of _____, 21.

By I/We, _____ Member of Multi Commodity Exchange of India Limited (MCX) (bearing Trading Member Id. ……) having office at

……,……..... (hereinafter referred to as “Member”, which expression, unless repugnant to the context or meaning thereof, shall be deemed to include its successors and assigns).

In favour of: Multi Commodity Exchange of India Limited (MCX), a company incorporated under the Companies Act, 1956 having its corporate office at Exchange Square, Suren Road, Chakala Andheri East, Mumbai – 400093 (hereinafter referred to as “MCX”, which expression, unless repugnant to the context or meaning thereof, shall be deemed to include its successors and assigns).

I/We hereby solemnly declare that: Whereas the Multi Commodity Exchange of India Limited (MCX) has issued circular dated January 08, 2021, on authorizing MCX to seek information/statement of all bank accounts maintained by members directly from Banks or through a financial technology solution provider authorized by the Exchange. Now, in consideration of the above, I / We do hereby agree and authorize that:

1. Multi Commodity Exchange of India Limited (MCX) is empowered/authorized to seek any information/statement of all bank accounts (maintained by me/us) opened/reported to the Exchange from time to time, from the concerned banks directly or through a financial technology solution provider authorized by the Exchange.

2. This Undertaking/Authorization shall be binding on my / our successors, legal representatives and assigns.

3. I / We declare that representations made by me/us are true and correct. Solemnly authorized at) this ___ day of _____, 20__) (Name of Designated Director) (Name of Trading Member) (with rubber stamp & SEBI Registration No.) Note: Board Resolution for execution of the said undertaking/authorization and authorization for signing the same should be enclosed along with the document.

4.24 Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT)

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.

This is in reference to the letter dated January 2, 2018, sent by FIU-IND to the Designated Directors & Principal Officers of Stock Brokers regarding “Guidelines for detecting suspicious transactions under Rule 7(3) of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005” wherein certain red flag indicators (RFIs) were identified. FIU-IND in its above letter inter-alia stated that,

- FIU-IND had constituted a Working Group consisting of members from securities market and FIU-IND in consultation with SEBI. Based on the recommendations of the Working Group, certain red flags have been identified. It has been felt that these red flags should be implemented by the concerned Reporting Entities (Res) including Stock Brokers for identification of suspicious transactions.

- The guidelines for detecting suspicious transactions for stock brokers are issued after consultation with SEBI for compliance by the Res concerned.

- The alerts generated by using the indicators as given in the guidelines and also as given in the SEBI Master circular should be properly analysed with a view to identify suspicious transactions and if the RE comes to conclusion that the cases could be a suspicious transaction, then the cases may be brought to the notice of FIU-IND by filing STRs following the prescribed procedure.

- It should be noted that the analysis process in the RE should be such as not to lead to tipping-off.

Members are requested to ensure that all regulatory guidelines mentioned in the above referred FIU-IND letter and SEBI Master circular SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 dated February 03, 2023 in this regard are implemented.

Members are required to comply with “Guidelines for detecting suspicious transactions under Rule 7(3) of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005”.

SEBI has issued Master Circular no. SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 dated February 03, 2023 (as enclosed herewith) on the subject, “Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under”.

In view of the amendments to the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 and to further enhance the effectiveness of AML/CFT framework, certain provisions of the aforesaid Master Circular shall stand modified as per SEBI SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2023/091 dated June 16, 2023 - Amendment to Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money-laundering Act, 2002 and Rules framed there under.

UNSC Sanction List - The updates regarding amendments made to UNSC Sanctions List are available on SEBI website under “Media” in a separate tab “UNSC Sanctions Committee List” and are also issued by the Exchange from time to time. Members are requested to visit SEBI website on a regular basis for updates in this regard and you are advised as under :-

a) Follow the procedure as mentioned in the Central government Order dated Feb 02, 2021 detailing the implementation of Section 51A of Unlawful Activities (Prevention) Act, 1967.

b) 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 and also ascertain the same for future accounts as well (as per clause 2.8.1 of SEBI "Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) / Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under") dated Oct 15, 2019
and

c) Forward any request for de-listing received by them, electronically to Joint Secretary (CTCR) (e-mail id: jsctcr-mha@gov.in) and a copy of the same to MHA, Joint Secretary (UNP) (e-mail id: jsunp@mea.gov.in).

d) Inform individuals, groups, undertakings, or entities seeking to be removed from the Security Council's ISIL (Da'esh) and Al-Qaida Sanctions List to submit their request for delisting to an independent and impartial Ombudsperson who has been appointed by the United Nations Secretary-General More details are available at the following URL: https://www.un.org/securitycouncil/ombudsperson/application

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 thereunder from time to time. These are broadly categorised as under:

a) Written Anti Money Laundering Policies and Procedures to Combat Money Laundering and Terrorist Financing
b) Client Due Diligence (CDD)
- Client identification procedure including identification of beneficial ownership
- Policy for acceptance of clients
- Clients of special category (CSC)
- Risk based Approach

c) Monitoring of transactions
d) Appointment of Designated Director and Principal Officer
e) Identifying Suspicious transactions and reporting to Financial Intelligence Unit – India
- Suspicious Transaction Reports (STR)
- Cash Transaction Reports (CTR)

f) Record Keeping, Information to be maintained & Retention of Records
g) Employees' Hiring/Training and Investor Education

Further, in terms of the PMLA Act, Members are required to comply with the following:

a) 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"

Members are, therefore, advised to file the Cash Transaction Reports (CTRs) and Suspicious Transaction Reports (STRs) for the suspicious transactions with FIU-IND from time to time as per the provisions of PMLA regulations.

b) To 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. Further, the Members shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process. Also, in terms of Know Your Client (KYC) norms,

Members are required to obtain financial details of the clients at the time of registration and update it periodically (i.e. at least once in a financial year).

Members are, therefore, again advised to update the financial information of their clients at least once in a financial year.

c) To ensure that exposure to clients (i.e. open positions, Margin received, MTM loss incurred, receipts of funds etc.) is not disproportionate to client's updated financial information (i.e. Income/profit/Net worth of the client)

REGULATORY REQUIREMENTS/ REFERENCES:

Sr. No.	Subject	Circular No.
1	Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under.	SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 dated February 03, 2023

Sr. No.	Subject	Circular No.
2	Amendment to Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money-laundering Act, 2002 and Rules framed there under.	SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2023/091 dated June 16, 2023
3	Anti- Money Laundering Guidelines	MCX/INSP/421/2017 November 15, 2017

4.25 Maintenance of Daily Reconciliation Statement

As per clause 2.4.2 of SEBI Circular on Enhanced Supervision , “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.”

Members need to promptly furnish daily reconciliation statement indicating the purpose of such transfers, when the same is sought by the Exchange during inspections or offsite supervision.

it is reiterated that the members shall maintain the reconciliation statement on a daily basis as prescribed in the SEBI circular and provide the same as and when sought by the relevant authority.

4.26 Display of Details of Members’ Client Bank Accounts on Website

Details of client bank accounts to be displayed on member’s website shall include Name of Bank Account,
Bank Account number and IFSC along with following note

“Investors are requested to note that Stock broker (name of stock broker) is permitted to receive/pay money from/to investor through designated bank accounts only named as client bank accounts. Stock broker (name of stock broker) is also required to disclose these client bank accounts to Stock Exchange. Hence, you are requested to use

following client bank accounts only for the purpose of dealings in your trading account with us. The details of these client bank accounts are also displayed by the Stock Exchange on their website under "Membership→→→Notice Board→→→Member & AP Details".

Based on the details of Bank accounts provided by member under Enhanced Supervision, Exchange shall also display the details of Client Bank accounts of member on Exchange's website under "Membership→→→Notice Board→→→Member & AP Details".

REGULATORY REQUIREMENTS/ REFERENCES:

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
2	Submission of data towards monitoring of client funds under Enhanced Supervision Guidelines	MCX/INSP/676/2021 dated October 22, 2021
3	Submission of Undertaking / Authorization to the Exchange to access the information/ statements pertaining to all bank accounts (maintained by members) from Banks	MCX/INSP/015/2021 dated January 08, 2021 MCX/INSP/061/2021 dated January 29, 2021
4	Submission of data towards 'Client Level Cash & Cash Equivalent Balances' and 'Holding Statement	MCX/INSP/956/2020 dated December 18, 2020 , MCX/INSP/769/2021 dated December 14, 2021, MCX/INSP/032/2021 dated January 15, 2021
5	Weekly Submission of Day Wise Client Funds, Securities Balances & Bank Account Balances(Format of Bank Account Balances to upload)	MCX/INSP/085/2020 dated February 10, 2020 MCX/INSP/376/2020 dated May 28, 2020
6	Guidelines for detecting suspicious transactions under Rule 7(3) of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005	MCX/INSP/419/2019 dated August 06, 2019

Sr. No.	Subject	Circular No.
7	Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under	SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/ 022 dated February 03, 2023
8	Mode of payment and delivery	SEBI circular SEBI/HO/MIRSD /DOP/CIR /P/2018/113 dated July 12, 2018, SEBI Circular SEBI/HO/ MIRSD/DoP/P/ CIR/2022/119 dated September 19, 2022, SEBI circular no. SEBI/HO/MIRSD /DoP/P/CIR /2022/162 dated November 25, 2022,
9	Receipt of funds in the form of Pre-funded instruments / Electronic fund transfers	SEBI circular CIR/MIRSD/03/2011 dated June 9, 2011;
10	Settlement of Running Account of Clients' Funds	SEBI circular SEBI/MIRSD/Cir/01/2011 dated May 13, 2011; SEBI circular MIRSD/ SE/Cir-19/2009 dated 3rd December, 2009, SEBI Circular No. SEBI/HO/MIRSD/DOP /P/CIR/2021 /577 dated June 16, 2021 SEBI Circular No: SEBI/HO/MIRSD /DOP/P/CIR/2022 /101 dated July 27, 2022,
11	Statement of Accounts for Funds, Securities and Commodities	SEBI circular SEBI/MIRSD/Cir/01/2011 dated May 13, 2011
12	Clarifications on funding in connection with / incidental to /consequential upon the securities business	SEBI circular SEBI/HO/MIRSD/MIRSD2/ CIR/P/ 2016/95 September 26, 2016

Sr. No.	Subject	Circular No.
13	Handling of client funds and securities	SEBI circular SMD/SED/CIR/93/23321 dated November 18, 1993 , SEBI circular SEBI /HO/MIRSD/ MIRSD2 /CIR /P/2016/95 , September 26, 2016 , SEBI circular No. CIR/HO/MIRSD/DOP/ CIR/P/2019/ 75 dated June 20, 2019, SEBI Circular No. SEBI/HO /MRD2_DCAP /CIR /2021 /0598 dated July 20, 2021, SEBI Circular No: SEBI /HO/MIRSD/DOP /P/CIR /2021 /59 dated July 16, 2021, SEBI Circular No. SEBI/HO /MIRSD/DoP /P/CIR /2022/109 dated August 18, 2022; SEBI Circular No: SEBI/HO /MIRSD/ DoP/P/CIR/2022 /143 dated October 27, 2022, SEBI circular SEBI/HO /MIRSD /MIRSD-PoD-1/P/CIR /2022/153 dated November 11, 2022,
14	Pledging of client securities	SEBI circular SEBI/HO/ MIRSD/MIRSD2/CIR/ P/2016/95 September 26, 2016 SEBI circular No. CIR/HO/MIRSD /DOP/CIR/P/2019/75 dated June 20, 2019
15	Prevention of Unauthorised Trading by Stock Brokers	SEBI circular CIR/HO/MIRSD /MIRSD2/CIR /P/2017/108 dated September 26, 2017, SEBI circular CIR/HO/MIRSD /MIRSD2/CIR/P/ 2017/124 dated November 30, 2017, SEBI circular CIR /HO/MIRSD/MIRSD /CIR/P/2018/09 dated January 11, 2018 SEBI circular SEBI/HO/MIRSD /DOP1/CIR/ P/2018/54 dated March 22, 2018,
16	Discontinuation of acceptance of cash by Stock Brokers	SEBI/HO/MIRSD/DOP/CIR/P/2018/113 dated July 12, 2018
17	Submission of undertaking pursuant to Standard Operating Procedure in the cases of Trading Member leading to default	SEBI Circular No: SEBI/HO/MIRSD /DPIEA/CIR/P /2020/115 dated July 01,2020

Sr. No.	Subject	Circular No.
18	Maintenance of a website by Stock Brokers and Depository Participants	SEBI Circular no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/30 dated February 15, 2023 MCX/MEM/112/2023 February 17, 2023
19	Enhanced Supervision of Stockbrokers	SEBI circular SEBI/HO/MIRSD /MIRSD2 /CIR/P /2016/95 dated September 26, 2016 SEBI Circular SEBI/HO /MIRSD/DOP/CIR /P/2018/153 dated December 17, 2018
20	Guidelines for maintaining bank accounts and Reporting of Bank & Demat Accounts	SEBI Circular No. SEBI/HO/MIRSD /DOP/P/CIR /2021/653 dated October 28, 2021, SEBI circular SEBI/HO/MIRSD /MIRSD2/CIR/ P/2016/95 dated September 26,2016, SEBI circular SEBI/HO/ MIRSD /MIRSD_DPIEA / P /CIR/2022/83 dated June 20, 2022
21	Advisory for Investors	MCX/ISD/625/2021 dated September 29, 2021
22	Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by market intermediaries	SEBI/HO/MIRSD/DOS2/CIR/P/2019/10 dated January 04, 2019
23	Mode of payment and delivery	SMD/MRD/SE/CIR-33/2003/27/08 dated August 27, 2003
24	Regulation of transaction between Clients and Members	Ref. SMD-1/23341 dated November 18,1993
25	Regulation of transaction between Clients and Brokers	Ref. SMD/SED/CIR/93/23321 dated November 18, 1993
26	Submission of data towards monitoring of client funds under Enhanced Supervision Guidelines	MCX/INSP/676/2021 dated October 22, 2021

Sr. No.	Subject	Circular No.
27	Submission of Undertaking / Authorization to the Exchange to access the information/ statements pertaining to all bank accounts (maintained by members) from Banks	MCX/INSP/015/2021 dated January 08, 2021 MCX/INSP/061/2021 dated January 29, 2021
28	Submission of data towards 'Client Level Cash & Cash Equivalent Balances' and 'Holding Statement	MCX/INSP/956/2020 dated December 18, 2020 , MCX/INSP/769/2021 dated December 14, 2021 MCX/INSP/032/2021 dated January 15, 2021
29	Weekly Submission of Day Wise Client Funds, Securities Balances & Bank Account Balances (Format of Bank Account Balances to upload)	MCX/INSP/085/2020 dated February 10, 2020 MCX/INSP/376/2020 dated May 28, 2020
30	Circular on Prevention of Unauthorised Trading by Stock Brokers	SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018
31	Regulation of Transactions between Clients and Brokers	SMD/SED/CIR/93/23321 dated November 18, 1993
32	Collateral deposited by clients with brokers	MRD/DoP/SE/Cir-11/2008 dated April 17, 2008
33	Enhanced supervision of Stock Brokers/Depository Participants	SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016
34	Naming / Tagging of demat accounts maintained by Stockbrokers	SEBI/HO/MIRSD/ MIRSD_DPIEA/P/CIR/2022/83 dated June 20, 2022
35	Maintenance of current accounts in multiple banks by Stockbrokers	MCX/INSP/696/2021 dated November 01, 2021
36	Investor Awareness regarding margin by way of pledge of securities	MCX/INSP/649/2020 dated September 07, 2020

Sr. No.	Subject	Circular No.
37	Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by market intermediaries	SEBI/HO/MIRSD/DOS2/CIR/P/2019/10 dated January 04, 2019
38	Maintenance of Daily Reconciliation Statement	MCX/INSP/165/2023 dated March 10, 2023
39	Display of Details of Members' Client Bank Accounts on Website	MCX/INSP/156/2023 dated March 06, 2023
40	Change in frequency of submission for Holding Statement and Bank Account Balances	MCX/INSP/044/2023 dated January 25, 2023
41	Reporting requirement on Settlement of Running Account of Clients' Funds lying with Trading Member (TM)	MCX/INSP/749/2022 dated December 29, 2022
42	FAQ on Settlement of Running Account of Client's Funds lying with Trading Member (TM)	MCX/INSP/551/2022 dated September 26, 2022

Item 5 -OFFICE MANAGEMENT

5.1 Guidelines for location of CTCL terminals and usage thereof

Trading terminals shall be located only in the main / branch offices of the trading member or in the office of a registered Authorised person of the trading member for the operations of the trading member.

Members will be held responsible and accountable for all acts of omission and commission of his Authorised persons and/or their employees at their branches including conducting “informal” Illegal trades.

Members are required to examine whether such terminals/locations are being commercially sustained by using them for purposes other than trading on the Exchange platform such as for conducting “informal” Illegal trades.

All Members are hereby advised to regularly monitor and review the trading activities/turnover from all the terminals located at all their Branch/AP locations and undertake necessary actions/investigations including conduct of surprise & periodic inspections in this regard.

Members are also advised to conduct an analysis of trends in trading volumes at different terminals and conduct close review of activities being conducted at the addresses at which trading terminals with low volume or declining trend of volumes are observed.

The Exchange may seek report from Members in this regard as and when found necessary. Accordingly, Members are advised to install appropriate internal systems & procedure for such inspections /monitoring and report generation.

Members are advised to ensure that all their approved users/person have valid certification as specified by SEBI/ Exchange from time to time and no trades are executed without a valid certification.

Members should ensure that correct and updated information relating to trading terminal and certification is reported to the Exchange and any non-compliance in this regard shall attract appropriate disciplinary actions including levy of penalty.

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

“Pro – account” trading terminal (SEBI Circular SEBI/MRD/SE/CIR-32/2003/27/08 dated August 27, 2003)

Disclosure of proprietary trading by Broker to Client (SEBI Circular no. SEBI/MRD/SE/CIR-42/2003 dated November 19, 2003)

5.2 Notice boards

Members shall display, in all their offices / offices of their registered authorised persons where trading terminals are located, notice boards/plates at prominently visible locations, painted / printed in a permanent manner, in a font and colour which enables easy reading of the subject matter and containing details as prescribed in relevant circulars.

Further, offices of all Members its registered Authorized Persons shall prominently display basic information regarding Grievance Redressal Mechanism available to investors as per **Annexure B**

5.3 Display of details by stock brokers

SEBI has issued circular no Cir/MIRSD/9/2010 dated November 4, 2010 regarding Display of details by stock brokers including trading members in their portal/web site, if any, notice / display boards, advertisements, publications, know your client forms, member client agreements, Contract notes, Statement of funds and securities, and correspondences with the clients.

What to display	Where to display
Stock broker may use the brand name / logo of its group companies, it must display more prominently its Name as registered with SEBI, Own logo, if any, Registration number, and Complete address with telephone numbers the name of the compliance officer, his telephone number and e-mail address	Portal /web site, if any, Notice / display boards, Advertisements, Publications, Know your client forms, Client registration documents, Contract notes, Statement of accounts for funds and securities, and correspondences with the clients

REGULATORY REQUIREMENTS/ REFERENCES:

Sr. No.	Subject	Circular No.
1	Use of terminals, placing of notice boards	SEBI circular CIR/MIRSD/3/2014 dated August 28, 2014

2	Display of details by stockbrokers including trading members	SEBI circular no Cir/MIRSD/9/2010 dated November 4, 2010

Item 6 - DEALINGS WITH INTERMEDIARIES

6.1 Dealings by branches, intermediaries, authorised persons etc.

Members need to undertake appropriate due diligence. The due diligence to be undertaken by the Trading Members may include :-

(i) ensuring that receipt or payment of funds and securities are only from or to the respective clients and not from other person including branch official, authorised person, dealer, etc.,

(ii) ensuring that the persons operating the terminals use proper client code in respect of the orders received from such clients and do not combine orders of different persons;

(iii) ensuring that the no margin/pay-in obligation/pay-out adjustment is done among clients or between clients and authorised persons, branch officials, dealers, etc.,

(iv) ensuring making and receipt of payments only by 'Account Payee' cheque or by direct bank debit/credit and not dealing in cash;

(v) ensuring that the branch official, authorised persons, dealers, etc., do not issue any contract
note, bill, confirmation memo, debit/credit note etc., to the clients, unless it is issued in the name of the Trading Member under written authorisation from it;

(vi) undertaking surprise inspections of such places to ensure prevention of any activity in violation of the Regulations.

The due diligence will also equally apply to the offices under the direct control of the Trading Members.

6.2 Framework for Supervision of Authorised Persons (APs) & branches by Members

Members have been formerly issued guidelines with regard to monitoring and review of trading activities of the APs & branches including periodic inspection of branches assigned to APs and records of the operations carried out by them.

In order to enhance the effectiveness of the supervision and ensure uniformity & standardization across all Members, the following guidelines, framed in joint consultation with SEBI & other Exchanges, have been prescribed:

a) Every Member shall be required to inspect every year at least 30% of its active Authorized Persons/ Branches and also ensure that each active AP/ Branches is inspected at least once in every three years. For this purpose, an active AP/ Branches would mean one who have executed even a single transaction during financial year and is engaged in servicing the clients.

b) APs/Branches meeting any of the below criteria shall be inspected annually, irrespective of when the last inspection was carried out:

   I. APs/Branches with more than 500 registered clients across Exchanges.

   II. APs with more than 20 trading terminals and Branches with more than 50 trading terminals, across all segments/Exchanges.

   III. APs/Branches against which more than 3 complaints have been received during the previous year.

In case of any inputs/alerts about any suspicious transactions/dealing/assured returns etc. by an AP or a Branch, Members shall carry out an immediate inspection, irrespective of when the last inspection was carried out and initiate appropriate action.

Members are advised to put in place adequate mechanisms to review the inspection reports and take suitable actions to ensure non-recurrence of any irregularities observed. Members shall on an annual basis place an MIS before their Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) on the number of inspections undertaken, irregularities observed and action taken.

REGULATORY REQUIREMENTS/ REFERENCES:

Sr. No.	Subject	Circular No.
1	Framework for Supervision of Authorised Persons (APs) and Branches by Members	MCX/INSP/601/2019 dated October 22, 2019 & MCX/MEM/052/2022 dated January 28, 2022

6.3 Certification Requirement

I. NISM-Series-XVI: Commodity Derivatives

SEBI vide its notification no. SEBI/LAD-NRO/GN/2019/41 published in the Gazette of India on November 21, 2019 notified about requisite certifications for approved users and sales personnel of the trading members in commodity derivatives segment.

The members shall ensure that all such associated persons who are approved users or sales personnel as on the date of this notification obtain the certification by passing the Commodity Derivatives Certification Examination within two years from the date of this notification:

Provided that a member, who engages or employs any such associated person who is approved user or sales personnel, after the date of this notification, shall ensure that such person obtains certification by passing the Commodity Derivatives Certification Examination within one year from the date of their employment.

Provided further that an associated person, who being an approved user or sales personnel, has obtained:

a) MCCP Certification (MCX Certified Commodity Professional)
b) NCDEX Institute of Commodity Markets and Research (NICR) – Commodity Trader Certification Course
c) NSE's Certification in Financial Markets (NCFM) – Commodity Market Module

as on the date of the aforesaid notification shall be exempted from the requirement of obtaining certification by passing the Commodity Derivatives Certification Examination till the validity of the said certification.

Exchange circular MCX/TRD/026/2023 dated January 16, 2023 – "Requirement of NISM-Series-XVI- Commodity Derivatives Certification Examination details for Approved User" inter alia states as under:

"Members are advised to monitor the expiry of existing exam certificate for approved User ID / CTCL Dealer (Terminal) and also the applicable due date in case of new approved User ID / CTCL Dealer (Terminal). In both the above cases, the Members shall ensure timely and progressive actions are taken by its approved User ID / CTCL Dealer (Terminal) to obtain and upload a fresh certificate well within the due date / validity date, as applicable. Member shall exercise appropriate due diligence and also check the authenticity and validity of the exam certificate prior to the upload of certificate on the Exchange portal."

II. NISM Series IIIA – Securities Intermediaries Compliance

SEBI vide its notification no. LAD-NRO/GN/202-13/33/1103published in the Gazette of India on March 11, 2013 notified about requisite certifications for compliance officers.

Accordingly, it is notified that with effect from the date of this notification, the associated persons functioning as compliance officers of intermediaries registered with the Board as stock brokers, or depository participants, or merchant bankers, or underwriters, or bankers to the Issue, or debenture trustees or credit rating agencies, shall obtain certification from the National Institute of Securities Markets hereinafter referred to as "NISM" by passing the NISM-Series-III A: Securities Intermediaries Compliance Non-Fund Certification Examination hereinafter referred to as "SICCE" as mentioned in the NISM communiqué No. NISM/Certification/Series-III A: SIC/2013/01 dated January 7, 2013.

Provided that an intermediary, who engages or employs any such associated persons functioning as compliance officer after the date of this notification, shall ensure that such person obtains certification by passing SICCE within one year from the date of his employment.

REGULATORY REQUIREMENTS/ REFERENCES:

Sr. No.	Subject	Circular No.
1	Mandatory requirement of NISM-Series-III A, Certification for Compliance officer	MCX/MEM/124/2019 dated March 6, 2019
2	Requirement of NISM-Series-XVI: Commodity Derivatives Certification Examination for Approved users	MCX/TRD/742/2020 dated October 06, 2020

6.4 Guidelines on Outsourcing of Activities by Intermediaries

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

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.

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, the principles for outsourcing by intermediaries have been framed which shall be followed by all intermediaries registered with SEBI.

PRINCIPLES FOR OUTSOURCING FOR INTERMEDIARIES

1. An intermediary seeking to outsource activities shall have in place a comprehensive policy to guide the assessment of whether and how those activities can be appropriately outsourced. The Board / partners as the case may be {hereinafter referred to as the "the Board"} of the intermediary shall have the responsibility for the outsourcing policy and related overall responsibility for activities undertaken under that policy.

a. The policy shall cover activities or the nature of activities that can be outsourced, the authorities who can approve outsourcing of such activities, and the selection of third party to whom it can be outsourced. For example, an activity shall not be outsourced if it would impair the supervisory authority's right to assess, or its ability to supervise the business of the intermediary. The policy shall be based on an evaluation of risk concentrations, limits on the acceptable overall level of outsourced activities, risks arising from outsourcing multiple activities to the same entity, etc.

b. The Board shall mandate a regular review of outsourcing policy for such activities in the wake of changing business environment. It shall also have overall responsibility for ensuring that all ongoing outsourcing decisions taken by the intermediary and the activities undertaken by the third-party, are in keeping with its outsourcing policy.

2. The intermediary shall establish a comprehensive outsourcing risk management programme to address the outsourced activities and the relationship with the third party.

2.1 An intermediary shall make an assessment of outsourcing risk which depends on several factors, including the scope and materiality of the outsourced activity, etc. The factors that could help in considering materiality in a risk management programme include:

a. The impact of failure of a third party to adequately perform the activity on the financial, reputational and operational performance of the intermediary and on the investors / clients;
b. Ability of the intermediary to cope up with the work, in case of non-performance or failure by a third party by having suitable back-up arrangements;
c. Regulatory status of the third party, including its fitness and probity status;
d. Situations involving conflict of interest between the intermediary and the third party and the measures put in place by the intermediary to address such potential conflicts, etc.

2.2 While there shall not be any prohibition on a group entity / associate of the intermediary to act as the third party, systems shall be put in place to have an arm's length distance between the intermediary and the third party in terms of infrastructure, manpower, decision- making, record keeping, etc. for avoidance

of potential conflict of interests. Necessary disclosures in this regard shall be made as part of the contractual agreement. It shall be kept in mind that the risk management practices expected to be adopted by an intermediary while outsourcing to a related party or an associate would be identical to those followed while outsourcing to an unrelated party.

2.3 The records relating to all activities outsourced shall be preserved centrally so that the same is readily accessible for review by the Board of the intermediary and / or its senior management, as and when needed. Such records shall be regularly updated and may also form part of the corporate governance review by the management of the intermediary.

2.4 Regular reviews by internal or external auditors of the outsourcing policies, risk management system and requirements of the regulator shall be mandated by the Board wherever felt necessary. The intermediary shall review the financial and operational capabilities of the third party in order to assess its ability to continue to meet its outsourcing obligations.

3 The intermediary shall ensure that outsourcing arrangements neither diminish its ability to fulfill its obligations to customers and regulators, nor impede effective supervision by the regulators.

3.1 The intermediary shall be fully liable and accountable for the activities that are being outsourced to the same extent as if the service were provided in-house.

3.2 Outsourcing arrangements shall not affect the rights of an investor or client against the intermediary in any manner. The intermediary shall be liable to the investors for the loss incurred by them due to the failure of the third party and also be responsible for redressal of the grievances received from investors arising out of activities rendered by the third party.

3.3 The facilities / premises / data that are involved in carrying out the outsourced activity by the service provider shall be deemed to be those of the registered intermediary. The intermediary itself and Regulator or the persons authorized by it shall have the right to access the same at any point of time.

3.4 Outsourcing arrangements shall not impair the ability of SEBI/SRO or auditors to exercise its its regulatory responsibilities such as supervision/inspection of the intermediary.

4 The intermediary shall conduct appropriate due diligence in selecting the third party and in monitoring of its performance.

4.1 It is important that the intermediary exercises due care, skill, and diligence in the selection of the third party to ensure that the third party has the ability and capacity to undertake the provision of the service effectively.

4.2 The due diligence undertaken by an intermediary shall include assessment of:

a. third party's resources and capabilities, including financial soundness, to perform the outsourcing work within the timelines fixed;

b. compatibility of the practices and systems of the third party with the intermediary's requirements and objectives;
c. market feedback of the prospective third party's business reputation and track record of their services rendered in the past;
d. level of concentration of the outsourced arrangements with a single third party; and
e. the environment of the foreign country where the third party is located.

5 Outsourcing relationships shall be governed by written contracts / agreements / terms and conditions as deemed appropriate {hereinafter referred to as "contract"} that clearly describe all material aspects of the outsourcing arrangement, including the rights, responsibilities and expectations of the parties to the contract, client confidentiality issues, termination procedures, etc.

5.1 Outsourcing arrangements shall be governed by a clearly defined and legally binding written contract between the intermediary and each of the third parties, the nature and detail of which shall be appropriate to the materiality of the outsourced activity in relation to the ongoing business of the intermediary.

5.2 Care shall be taken to ensure that the outsourcing contract:

a. clearly defines what activities are going to be outsourced, including appropriate service and performance levels;
b. provides for mutual rights, obligations and responsibilities of the intermediary and the third party, including indemnity by the parties;
c. provides for the liability of the third party to the intermediary for unsatisfactory performance/other breach of the contract;
d. provides for the continuous monitoring and assessment by the intermediary of the third party so that any necessary corrective measures can be taken up immediately, i.e., the contract shall enable the intermediary to retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations;
e. includes, where necessary, conditions of sub-contracting by the third-party, i.e. the contract shall enable intermediary to maintain a similar control over the risks when a third party outsources to further third parties as in the original direct outsourcing;
f. has unambiguous confidentiality clauses to ensure protection of proprietary and customer data during the tenure of the contract and also after the expiry of the contract;
g. specifies the responsibilities of the third party with respect to the IT security and contingency plans, insurance cover, business continuity and disaster recovery plans, force majeure clause, etc.;
h. provides for preservation of the documents and data by third party ;
i. provides for the mechanisms to resolve disputes arising from implementation of the outsourcing contract;
j. provides for termination of the contract, termination rights, transfer of information and exit strategies;
k. addresses additional issues arising from country risks and potential obstacles in exercising oversight and management of the arrangements when intermediary

outsources its activities to foreign third party. For example, the contract shall include choice-of-law provisions and agreement covenants and jurisdictional covenants that provide for adjudication of disputes between the parties under the laws of a specific jurisdiction;

l. neither prevents nor impedes the intermediary from meeting its respective regulatory obligations, nor the regulator from exercising its regulatory powers; and

m. provides for the intermediary and /or the regulator or the persons authorized by it to have the ability to inspect, access all books, records and information relevant to the outsourced activity with the third party.

6. The intermediary and its third parties shall establish and maintain contingency plans, including a plan for disaster recovery and periodic testing of backup facilities.

6.1 Specific contingency plans shall be separately developed for each outsourcing arrangement, as is done in individual business lines.

6.2 An intermediary shall take appropriate steps to assess and address the potential consequence of a business disruption or other problems at the third-party level. Notably, it shall consider contingency plans at the third party; co-ordination of contingency plans at both the intermediary and the third party; and contingency plans of the intermediary in the event of non-performance by the third party.

6.3 To ensure business continuity, robust information technology security is a necessity. A breakdown in the IT capacity may impair the ability of the intermediary to fulfil its obligations to other market participants/clients/regulators and could undermine the privacy interests of its customers, harm the intermediary's reputation, and may ultimately impact on its overall operational risk profile. Intermediaries shall, therefore, seek to ensure that third party maintains appropriate IT security and robust disaster recovery capabilities.

6.4 Periodic tests of the critical security procedures and systems and review of the backup facilities shall be undertaken by the intermediary to confirm the adequacy of the third party's systems.

7 The intermediary shall take appropriate steps to require that third parties protect confidential information of both the intermediary and its customers from intentional or inadvertent disclosure to unauthorised persons.

7.1 An intermediary that engages in outsourcing is expected to take appropriate steps to protect its proprietary and confidential customer information and ensure that it is not misused or misappropriated.

7.2 The intermediary shall prevail upon the third party to ensure that the employees of the third party have limited access to the data handled and only on a "need to know" basis and the third party shall have adequate checks and balances to ensure the same.

7.3 In cases where the third party is providing similar services to multiple entities, the intermediary shall ensure that adequate care is taken by the third party to build safeguards for data security and confidentiality.

8 Potential risks posed where the outsourced activities of multiple intermediaries are concentrated with a limited number of third parties.

In instances, where the third party acts as an outsourcing agent for multiple intermediaries, it is the duty of the third party and the intermediary to ensure that strong safeguards are put in place so that there is no co-mingling of information /documents, records and assets.

Other Obligations

i. 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.

ii. 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, in line with the requirements of the guidelines/principles.

iii. Reliance on third party for carrying out Client Due Diligence - 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.

However, shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable as per SEBI circular CIR/MIRSD/1/2014 dated March 12, 2014

REGULATORY REQUIREMENTS/ REFERENCES:

Sr. No.	Subject	Circular No.
1	Guidelines on Outsourcing of Activities by Intermediaries	SEBI Circular No. CIR/MIRSD/24/2011 dated December 15, 2011

Item 7 BOOKS OF ACCOUNTS AND OTHER DOCUMENTS

7.1 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 Commodities , Register of complaints / grievances, ECN log report, Client registration documents.

FATCA and CRS

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.

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.]

PAN

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.

The stock brokers shall provide Permanent Account Numbers of all their Directors, Key Management Personnel and dealers to the Stock Exchanges within three months from the date of this circular. Any change in the aforesaid details/information shall be intimated to the Stock Exchanges within seven days of such change.

7.2 Preservation of records

As per regulation 18 of SEBI Stock Broker Regulations, 1992 every stock broker shall preserve the books of account and other records maintained under regulation 17 for a minimum period of five years. In case such documents are maintained in electronic form, provisions of Information Technology Act, 2000 in this regard shall be complied with.

It has been noticed that enforcement agencies like CBI, Police, Crime Branch etc. have been collecting copies of the various records/documents during the course of their investigation. The originals of such documents maintained either in physical or in electronic form or in both would be required by such enforcement agencies during trial of the case also. In view of the above, it is clarified that if a copy is taken by such enforcement agency either from physical or electronic record then the respective original is to be maintained till the trial or investigation proceedings have concluded.

REGULATORY REQUIREMENTS/ REFERENCES:

Sr. No.	Subject	Circular No.
1	Maintenance of books of accounts and other documents / Preservation of records	SEBI circular MRD/Dop/SE/CIR-21/2009 dated December 09, 2009
2	Maintenance and Preservation of Records	SEBI/HO/CDMRD/DMP/CIR/P/2016/74 dated August 30, 2016

Item 8 -Compliance Submissions and Requirements

8.1 Monitoring of clients' funds lying with the stock broker submission

Exchange circular MCX/INSP/676/2021 dated October 22, 2021, directed that trading members are required to submit the data towards monitoring of client's funds as on last trading day of the week on or before the next three trading days. It has come to the notice of the Exchange that members are submitting details of Fixed Deposit Receipts (FDR) not placed with clearing corporation/clearing members as a part of client bank account balances. Further, certain members are submitting details of such FDRs which are lien marked for availing overdrafts and are not unencumbered.

Exchange circular MCX/INSP/005/2022 dated January 5, 2022 directed members that any FDRs created out of the client funds received by the members should be only for the purpose of placing with clearing corporation/clearing members.

Further Members are also directed not to invest client funds received by the members in the client bank accounts **in any Liquid Mutual Funds, Gilt Funds, Government Securities, or any other liquid funds**.

Further, SEBI vide its circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020, has provided a framework on "Margin obligations to be given by way of Pledge/ Re-pledge in the Depository System". The said circular also states that, for the purpose of providing collateral in the form of securities as margin, a client shall pledge securities with Trading Member, and Trading Member shall re-pledge the same with Clearing Member and Clearing Member, in turn, shall repledge the same to Clearing Corporation (CC).

8.2 Guidelines for maintaining bank accounts and Reporting of Bank & Demat Accounts

One of the requirements of the Enhanced Supervision of Stock Brokers circular is the reporting by all the Members of their existing as well as their new bank & demat accounts to the Exchange.

A facility has been provided by the Exchange whereby Members can report details of their bank & demat accounts to the Exchange, electronically through the Enhanced Supervision portal. The procedure for submitting the information through the portal is given in the circular issued by Exchange. The Members may note that all new bank & demat accounts shall be informed to the Exchanges within one week of the opening of the account through the same module.

Exchange seeks information/ statements pertaining to all Bank accounts maintained by members directly from Bank or through a financial technology solution provider

authorised by the Exchange. Hence, all members are advised to provide an undertaking authorising the Exchange to instruct the bank(s) of the members to seek any information/statements pertaining to all bank accounts (maintained by members) directly from the Bank or through a financial technology solution provider authorised by the Exchange.

Further, members are advised to keep the Bank/s appropriately notified of the said authorisation to enable them to honour the instructions received from Exchange.

Member can maintain maximum of 30 bank accounts named as “Name of Stock Broker - Client Account" across all segments and Exchanges at a time.

Members are also requested to note that, as per the requirement of SEBI circular SEBI/HO/ MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 “In case of closure of any of the reported bank accounts, the same shall be communicated to the Stock Exchanges within one week of its closure.”

Members shall maintain client bank accounts with followings banks only:

i. Banks designated as Clearing Banks by any of the Clearing Corporations from time to time
ii. Banks which are not designated as Clearing Banks however empanelled for the purpose of issuance of BGs and FDRs by any of the Clearing Corporations from time to time.
iii. Payment Banks licensed under Banking Regulation Act, 1949.

However, members can maintain the client banks accounts with banks stated above in point (ii) & (iii) only if member has obtained written confirmation from such bank(s) that Bank shall submit day wise account number wise end of day clear running balances and/or information/statement of all bank accounts maintained with such bank(s) to Exchange on daily/weekly basis as may be required by the Exchange. Members shall submit updated/ fresh confirmation to the Exchange within seven working days of opening of any new client bank account.

Further, member shall maintain own/proprietary account with Scheduled Banks or Payment Banks licensed under Banking Regulation Act, 1949 only.

Members are also requested to note that, as per the requirement of SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 “In case of closure of any of the reported bank accounts, the same shall be communicated to the Stock Exchanges within one week of its closure.”

Submission of Undertaking / Authorization to the Exchange to access the information/ statements pertaining to all bank accounts (maintained by members) from Banks is issued vide Exchange circular MCX/INSP/061/2021 dated January 29, 2021.

8.3 Cash and Cash Equivalent Submission

Members are required to upload details Cash & Cash Equivalent balances as per the in-**Annexure B**

Members are directed to set aside the funds and securities in separate Client Bank/Client collateral Demat account for those clients for whom member is unable to settle their accounts due to non-availability of client's bank account & demat account details and non-traceability of client. Further, members in this regard are also required to submit UCC wise fund balance information to the Exchange along with details of client bank account where these unclaimed / untraced clients funds are parked.

Members shall upload the details of clients, such as, name, mobile number, address for correspondence and E-mail address.

Members shall ensure that the mobile numbers/E-mail addresses of their employees /remisiers/authorized persons are not uploaded on behalf of clients.

Members shall ensure that separate mobile number/E-mail address is uploaded for each client. However, under exceptional circumstances, the stockbroker may, at the specific written request of a client, upload the same mobile number/E-mail 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.

8.4 Submission of Designated Director details to FIU-IND and Registration on FIU-IND's FINnet Gateway.

SEBI had directed the members to appoint a person as a 'Designated Director' in addition to Principal.

Officer to comply with AML/CFT requirements. 'Designated Director' includes –

i. the Managing Director or a Whole-time Director duly authorized by the Board of Directors if the reporting entity is a company,
ii. the managing partner if the reporting entity is a partnership firm,
iii. the proprietor if the reporting entity is a proprietorship concern,
iv. the managing trustee if the reporting entity is a trust,
v. 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,
vi. 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.

The members are required to provide details of the Designated Director, such as, name, designation, and address to the office of the Director to FIU-IND.

FIU has informed the Exchange that FIU-INDIA has initiated the fresh registration of the Reporting Entities (REs) in FINnet 2.0 system from January 19,2022. As part of the envisaged FINnet 2.0 system, all Reporting Entities (REs) registered in FINnet 1.0 are required to re-register themselves in FINnet 2.0 module. It may please be noted that as part of the re-registration exercise, REs are required not only to register Principal Officer but the details of Designated Director also need to be provided. Further, any new RE who wishes to register afresh with FIU-IND needs to get registered both on FINnet 1.0 and FINnet 2.0 as report filing is still to be done on FINnet 1.0 portal till the time FINnet 2.0 becomes fully functional.

8.5 <u>Submission of Internal Audit Report</u>

Internal Audit for Stockbrokers/Clearing Members was introduced by SEBI vide Circular No. MIRSD/DPSIII/Cir-26/08 dated August 22, 2008.

All stockbrokers/clearing members are required to carry out complete internal audit on a half yearly basis by Internal audit can be conducted by independent qualified Chartered Accountants or Company Secretaries or Cost & Management Accountants who are in practice and do not have any interest in or relation with the Member other than the Internal Audit assignment. As per the relevant circulars issued by the Exchange, all the members are required to submit the report within 2 months from the end of the audit period.

Further, members are advised to adhere to the norms prescribed under clause 4.2 of SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, w.r.t Appointment and Rotation of Internal auditors. Accordingly, members shall not appoint or re-appoint the internal auditor who has completed its term as specified under clause 4.2.1.2 (a) and 4.2.1.2 (b) of aforesaid circular.

Submission of Internal Audit Report for the half year ended on March 31, 2023, is to be complied as per MCX/INSP/243/2023 dated April 10, 2023 and the eligibility criteria for the auditors qualified to conduct internal audit of members is as per MCX/INSP/084/2022 February 16, 2022.

<u>REGULATORY REQUIREMENTS/ REFERENCES:</u>

Sr. No.	Subject	Circular No.
1	Internal Audit of Members	MCX/INSP/084/2022 February 16, 2022.
2	Submission of Internal Audit Report for the half year ended on March 31, 2023	MCX/INSP/243/2023 dated April 10, 2023

3	Internal Audit for Stockbrokers/ Clearing Members	SEBI vide Circular No. MIRSD/DPSIII/Cir-26/08 dated August 22, 2008.

8.6 Risk Based Supervision (RBS) submission

The submission of RBS data is mandatory for all active Members of the Exchange (i.e. those who have executed/cleared even a single trade during the submission period (respective Half Year/ Financial Year)) and in case of any non-submission by a member, appropriate disciplinary action may be initiated. Members are also requested to preserve and maintain the working of the data submitted for Risk Based Supervision as the same may be verified during the inspections.

REGULATORY REQUIREMENTS/ REFERENCES:

Sr. No.	Subject	Circular No.
1	Risk Based Supervision	MCX/INSP/590/2022 dated October 14, 2022 and MCX/INSP/101/2018 dated March 20, 2018

Item 9 - Other Compliances

9.1 Publishing Investor Charter And Disclosure Of Investor Complaints By Stock Brokers on their websites

In order to facilitate investor awareness about various activities which an investor deals with such as opening of account, KYC and in person verification, complaint resolution, issuance of contract notes and various statements, process for dematerialization/rematerialization etc., SEBI, in consultation with the market participants, has prepared an Investor Charter for Stock Brokers inter-alia detailing the services provided to Investors, Rights of Investors, various activities of Stock Brokers with timelines, DOs and DON'Ts for Investors and Grievance Redressal Mechanism which is placed at Annexure 'A' of SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/676 dated December 02, 2021 on Publishing Investor Charter and disclosure of Investor Complaints by Stock Brokers on their websites.

Members shall disclose the data on complaints received against them or against issues dealt by them and redressal thereof, latest by 7th of succeeding month on their website, as per the format given in the aforementioned SEBI circular.

To bring transparency in the Investor Grievance Redressal Mechanism, the Members were advised to publish Investor Charter and disclose the Investor Complaints on their respective websites.

An effective grievance procedure ensures an amiable work environment, as it redresses the grievance to mutual satisfaction and helps the management to frame policies and procedures, in line with the regulations.

Members are advised to take the below measures:

a) Multiple modes of communication should be made available to the investors, with a view to ensure seamless process in raising the complaints.
b) Strengthen the complaint redressal mechanism by hiring qualified / dedicated trained resource, impart adequate trainings for better handling and suitable closures.
c) Investor Grievances escalation matrix to be explicitly displayed on the website and mobile application under the 'Contact Us' page. The 'Contact Us' link should be placed on the index/homepage of the website. Upon clicking the same, it should display the details.
d) Escalation matrix should also be a part of the complaint redressal communications between the members and investors.
e) Acknowledgment should be sent to the investor, once the grievance is received / escalated / resolved and should state the Service ticket / Complaint reference number in it.
f) Members, who are also a Depository Participant, shall provide separate escalation matrix for Demat related queries. In case they have a common grievance handling unit, they may display the common Escalation matrix.
g) Enhance Investor education vide educational videos, webinars etc.
h) Provide regular updates to investors on changes in rules/regulations through support portals. i) Details of services provided to clients may be displayed on homepage of the website.
j) Automate procedural requirements by online submission and acceptance of forms & KYC related matters.
k) Regular system audits to reduce the occurrence of technical issues and downtimes. Members are advised to ensure the compliance of the above-mentioned requirement and provide a confirmation of the same to MCX. Information regarding submission of confirmation by members will be communicated separately.

Investor Grievances escalation matrix to be explicitly displayed on the website and mobile application under the 'Contact Us' page.

Escalation Matrix:

Details of	Contact Person	Address	Contact No.	Email Id	Working hours
Customer care					
Head of Customer care					
Compliance Officer					
CEO					

In view of the same, Trading Members who have their own website & deal with retail clients, are advised to ensure the compliance of above mentioned requirement and

provide confirmation of the same to MCX. Members are advised to provide an email confirmation to the Exchange at customersupport@mcxindia.com in the below prescribed format:

Member ID	Member Name	Website / URL of Member along with 'Contact Us' link on the index/homepage of the Member website

In absence of response/complaint not addressed to your satisfaction, you may lodge a complaint with SEBI at https://scores.gov.in/scores/Welcome.html or Exchange at https://www.mcxindia.com/Investor-Services .

Please quote your Service Ticket/Complaint Ref No. while raising your complaint at SEBI SCORES/Exchange portal.

Note:

- Please mention working hours of each escalation level (eg. Mon-Sat; 9:00 am to 12:30 pm and 2:00 pm to 6:00 pm).
- Same contact number shall not be mentioned for more than one or all escalation levels.
- Contact numbers mentioned shall be handled by the escalated person.
- Ensure the contact numbers mentioned are reachable.
- Ensure IVRS allows caller to the reach the desired escalated level

REGULATORY REQUIREMENTS/ REFERENCES:

Sr. No.	Subject	Circular No.
1	Publishing Investor Charter and disclosure of Investor Complaints by Stock Brokers on their websites	SEBI/HO/MIRSD/DOP/P/CIR/2021/676 dated December 02, 2021; MCX/ISD/775/2021 dated December 15, 2021 MCX/ISD/758/2021 December 07, 2021
2	Investor Charter – Escalation Matrix	MCX/ISD/638/2022 dated November 10, 2022
3	Addendum to Investor Charter – Escalation Matrix	MCX/ISD/671/2022 dated November 25, 2022

9.2 Portfolio Management Services

SEBI vide circular number SEBI/HO/IMD/DF1/CIR/P/2019/066 dated May 22, 2019 mentioned that in supersession to Circular SEBI/HO/CDMRD/DMP/P/CIR/2016/100 dated September 27, 2016 Portfolio Managers are now permitted to participate in Exchange Traded Commodity Derivatives on behalf of their clients.

It would be mandatory for Portfolio Managers to appoint SEBI registered Custodian before dealing in Exchange traded Commodity Derivatives.

The participation of Portfolio Managers in the exchange traded commodity derivatives would be subject to the following:

- Portfolio Managers may participate in Exchange Traded Commodity Derivatives on behalf of their clients and such participation shall be in compliance with all the rules, regulations including SEBI (Portfolio Managers) Regulations, 1993 and circulars/guidelines and position limit norms as may be applicable to 'clients', issued by SEBI and Exchanges from time to time.
- Portfolio Managers may participate in Exchange Traded Commodity Derivatives after entering into an agreement with the clients. Portfolio Managers may execute addendums to the agreement with their existing clients, permitting the Portfolio Managers to participate in the Exchange Traded Commodity Derivatives on their behalf.
- Portfolio Managers shall provide adequate disclosures in the Disclosure Document as well as the agreement with the client pertaining to their participation in the Exchange Traded Commodity Derivatives, including but not limited to the risk factors, margin requirements, position limits, prior experience of the Portfolio Manager in Exchange Traded Commodity Derivatives, valuation of goods etc
- In case dealing in Commodity derivatives lead to delivery of physical goods, there is a possibility that, the Portfolio Manager remains in possession of the physical commodity. In such cases, the goods need to be disposed off at the earliest, within the timelines as agreed upon between the client and the Portfolio Manager. The responsibility of liquidating the physical goods shall be with the Portfolio Manager
- Portfolio Managers shall also provide periodic reports to the clients as per Regulation 21 of SEBI (Portfolio Managers) Regulations, 1993 regarding their exposure in Exchange Traded Commodity Derivatives.
- Portfolio Managers shall report the exposure in Exchange Traded Commodity Derivatives under the heading of 'Commodity Derivatives' in the monthly reports submitted to SEBI.

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

The following activities will 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.

Members are advised that if they are found indulging in offering services, 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.

REGULATORY REQUIREMENTS/ REFERENCES:

Sr. No.	Subject	Circular No.
1	Participation of Portfolio Managers in Commodity Derivatives Market in India	SEBI/HO/IMD/DF1/CIR/P/2019/066 dated May 22, 2019

9.3 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.

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

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

Waiver to the member from sending contract notes; Retaining the MTM (Mark to Market) gains by the Member with himself; and 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.

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

9.4 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.

9.5 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 he is engaged as principal or employee in any business other than that of securities [or commodity derivatives] except as a broker or agent not involving any personal financial liability unless he undertakes on admission to sever his connection with such business".

9.6 Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957

Interalia states that "No person shall be eligible to be elected as a member if he engages either as principal or employee in any business other than that of securities 15[or 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.

Borrowing and lending of funds, by a trading member, in connection with or incidental to or consequential upon the securities business, would not be disqualified under Rule 8(1)(f) and 8(3)(f) of the SCRR 1957.

9.7 Severance of connections with other businesses

Rule 8(1)(f) and Rule 8(3)(f) of the SCRR 1957, requires that members of a Stock Exchange, whether individual, partnership or corporate, shall not engage in any business other than that of securities. Stock Exchanges should be ensured that the applicants do not attract the above stated rule.

REGULATORY REQUIREMENTS/ REFERENCES:

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
3	SMD/VRN/1476/95 dated April 27, 1995.

9.8 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.

9.9 Procedure for implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 – Directions to stock exchanges and registered intermediaries

SEBI has issued circular no. SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/062 dated April 26, 2023, regarding Procedure for implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 – Directions to stock exchanges and registered intermediaries. Exchange has issued the MCX/INSP/293/2023 dated May 05, 2023 in this regard.

9.10 Enhanced Obligations and Responsibilities on Qualified Stock Brokers (QSBs)

SEBI vide circular no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/24 dated February 06, 2023, on “Enhanced obligations and responsibilities on Qualified Stock Brokers (QSBs)” enumerated the parameters for designating certain stock brokers, having regard to their size and scale of operations, likely impact on investors and securities market, as well as governance and service standards, as Qualified Stock Brokers (QSBs), on the basis of certain parameters and appropriate weightages thereon.

Based on the parameters defined in the aforesaid circular, the list of stock brokers designated as Qualified Stockbrokers (QSBs) was released vide Exchange circular no. MCX/MEM/154/2023 dated March 06, 2023.

MCX in consultation with SEBI and other Exchanges has formulated comprehensive operating guidelines applicable to designated QSBs along with timelines for adherence to said compliance requirements vide Exchange Circular no. MCX/MEM/358/2023 dated June 02, 2023

Stock Brokers designated as QSBs shall be required to comply with enhanced obligations as specified in aforesaid guidelines and discharge additional responsibilities w.e.f. July 01, 2023.

REGULATORY REQUIREMENTS/ REFERENCES:

Sr. No.	Subject	Circular No.
1	Enhanced Obligations and Responsibilities on Qualified Stock Brokers (QSBs)	SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/24 dated February 06, 2023
2	Enhanced Obligations and Responsibilities on Qualified Stock Brokers (QSBs)	MCX/MEM/154/2023 dated March 06, 2023
3	Enhanced Obligations and Responsibilities on Qualified Stock Brokers (QSBs) – Comprehensive operating guidelines	MCX/MEM/358/2023 dated June 02, 2023

9.11 Charging interest on delayed payment of penalties

As per MCX Circular MCX/INSP/319/2023 dated May 15, 2023.

To avoid delay in remitting the penalty, the Exchange has decided that:

a. If the penalty is less than Rs.50,000/-, the Exchange would be directly debiting the penalty to the Settlement account of respective Member / their Clearing Member, after the due date.

b. If the penalty is Rs.50,000/- or above, the Exchange would be charging interest @ 12%, per annum, for every day of delay (delay would be counted from the due date), along with applicable taxes, if any.

The provisions of this circular shall be applicable with effect from June 1, 2023. Members are required to note the above and ensure timely payment of penalty to avoid interest on delayed payment of penalty.

9.12 Bank Guarantees (BGs) created out of clients' funds

As per MCX Circular MCX/INSP/270/2023 dated April 25, 2023

1. Currently Stockbrokers (SBs)/ Clearing Members (CMs) pledge client's funds with Banks which in turn issue Bank Guarantees (BGs) to clearing corporations for higher amounts. This implicit leverage exposes the market and especially the client's funds to risks. Pursuant to discussions with various stakeholders, it has been decided to implement the following measures in order to safeguard the interests of the investors: -

a. Beginning May 01, 2023, no new BGs shall be created out of clients' funds by SBs/CMs.

b. Existing BGs created out of clients' funds shall be wound down by September 30, 2023.

2. The provisions of this framework shall not be applicable for proprietary funds of SBs/CMs in any segment and SB's proprietary funds deposited with CM in the capacity of a client.

REGULATORY REQUIREMENTS/ REFERENCES:

Sr. No.	Subject	Circular No.
1	Bank Guarantees (BGs) created out of clients' funds	MCX Circular MCX/INSP/270/2023 dated April 25, 2023

9.13 Norms relating to trading by Members

1. A stock broker of an exchange cannot deal with the brokers of the same exchange either for proprietary trading or for trading on behalf of clients, except with the prior permission of the exchange.

2. A stock broker of an exchange can deal with only one broker of another exchange for proprietary trading after intimating the names of such stock broker to his parent Stock Exchange.

9.14 Standardisation of Bank Book and Client ledger

As per the Exchange Bye-laws 2.3.11 and 11.5 and Exchange Circular no. MCX/INSP/325/2016 dated September 29, 2016, all members of the Exchange shall be required to maintain properly and preserve, Books of accounts, Registers, Statements and other records, in physical or electronic form, as may be specified, for a period prescribed by the Exchange or SEBI, from time to time.

In order to standardise the maintenance of books of accounts / records and ensure uniformity across all Members, a standard format for Bank Book and Client Ledger is prescribed herewith.

Please find enclosed the following **Annexure - B** in this regard.

1. Format for maintenance of Bank Book
2. Format for maintenance of Client Fund Ledger
3. Guidelines with respect to standardisation of Bank Book and Client Ledger

The above formats shall be applicable with effect from October 01, 2023 and the Members are advised to make necessary changes in the back office to comply with the above requirements.

Further, Members are requested to note that, post implementation of standard formats, Exchange may seek periodic submission of data related to funds of clients in the manner prescribed in the above referred format. The details of the same including the periodicity shall be informed in due course.

Members may further note that non-maintenance of Bank Book and Client Ledger for funds in the prescribed format is a non-compliance as per Bye-laws, Business Rules and circulars of the Exchange.

Members are requested to take note of the above and comply with applicable regulatory requirements.

REGULATORY REQUIREMENTS/ REFERENCES:

Sr. No.	Subject	Circular No.
1	Standardisation of Bank Book and Client ledger	MCX/INSP/366/2023 dated June 08, 2023

9.15 Upstreaming of clients' funds by Stock Brokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs)

SEBI has issued circular no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/84 dated June 08, 2023, on the subject "Upstreaming of clients' funds by Stock Brokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs)".

As per the framework, no clients' funds shall be retained by SBs/ CMs on End of Day (EoD) basis. The clients' funds shall all be upstreamed by SB/ CMs to CCs only in the form of either cash, lien on FDR (subject to certain conditions enumerated below), or pledge of units of Mutual Fund Overnight Schemes (MFOS).

Further, to improve operational efficiency and to reduce costs, CCs shall also facilitate a mechanism to adjust the margin blocked in the form of cash, towards client fund pay-in obligations. Such mechanism shall be provided by CCs by 1st January 2024.

The provisions of this framework shall not be applicable to bank-CMs (including Custodians that are banks), and for proprietary funds of SBs/CMs in any segment and SB's proprietary funds deposited with CM in the capacity of a client.

The provisions of this circular shall come into effect from July 01, 2023.

FAQ on Upstreaming of Client's Funds by Stock Brokers (SBs) / Clearing Members (CMs) to Clearing Corporation (CCs)

1) In which forms the client funds can be upstreamed by SB/CM?

The client funds shall be upstreamed by SBs/CMs to CCs only in the form of either cash, lien on FDR or pledge of units of Mutual Fund Overnight Schemes (MFOS).

2) To whom the framework of upstreaming of client funds is applicable?

The framework is applicable to all SBs/CMs/non-bank Custodians. Bank-CMs (including custodians that are banks) and proprietary funds of SBs/CMs in any segment and SB's proprietary funds deposited with CM in the capacity of a client are exempt from the scope of this circular.

3) Whether the tenure of existing FDRs is required to be reduced upto one year?

Yes. The residual maturity of existing FDRs would need to be upto one year from July 01, 2023.

4) Is it required to wind up the existing bank guarantees (BGs) created out of client funds and placed with CCs/CMs before June 30, 2023?

As per SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/061 dated April 25, 2023, all the existing BGs created out of client funds and placed with CCs/CMs shall be wound down by September 30, 2023.

5) Whether FDR can be created by SB in favour of CM?

No. FDRs created out of client funds shall necessarily be lien-marked to one of the CCs at all times. Through this lien, the CCs shall have explicit precedence on the FDR funds over every other stakeholder, including over the bank providing FDR.

6) Can FDRs be made from multiple USCNB accounts?

Yes. Client FDRs may be created from the USCNB accounts across the multiple bank accounts.

7) In which kind of MFOS can the client funds be invested?

SBs/CMs shall ensure that client funds are invested only in such MFOS that deploy funds into risk-free government bond overnight repo markets and overnight Tri-party Repo Dealing and Settlement (TREPS).

8) Whether the MFOS can be considered as collateral with CC/CM under Enhanced Supervision reporting?

MFOS can be included in collateral available with CC/CM for the purpose of reporting under Enhanced Supervision. Accordingly, the provision of Exchange Circular MCX/INSP/676/2021 dated October 22, 2021 shall stand modified to this extent with effect from July 01, 2023.

9) Which bank accounts to be displayed on website?

Name of Bank Account, Bank Account number and IFSC of Only USCNB accounts along with following note shall be displayed on website.

"Investors are requested to note that Stock broker (name of stock broker) is permitted to receive money from investor through designated bank accounts only named as Up streaming Client Nodal Bank Account (USCNBA). Stock broker (name of stock broker) is also required to disclose these USCNB accounts to Stock Exchange. Hence, you are requested to use following USCNB accounts only for the purpose of dealings in your trading account with us. The details of these USCNB accounts are also displayed by Stock Exchanges on their website under "Membership→→→Notice Board→→→Member & AP Details."

Accordingly, the provision of Exchange Circular MCX/INSP/156/2023 dated March 06, 2023 shall stand modified to this extent with effect from July 01, 2023.

10) Can the member maintain FDR/MFOS that are not lien marked/pledged with CC?

FDR created out of client funds shall necessarily be lien-marked to one of the CCs at all the times. Further, SBs/CMs shall provide MFOS units as collateral to the CC. While providing the units as collateral, SBs/CMs shall identify the end clients. In order to implement the same, a pledge shall be created from the Client Nodal MFOS account to SB/CM margin pledge account of the SB/CM. SB/CM shall further repledge the same to CC using the existing pledge re-pledge mechanism.

11) Whether any client funds remaining after making FDR or investment in MFOS are required to be upstreamed?

Yes. As per Para I of Part C of the SEBI circular dated June 08, 2023 on Upstreaming of clients funds, other than the FDRs (liened to CCs) and MFOS (pledged to CCs), any remaining client funds with SBs/CMs shall be upstreamed to a CC before a stipulated cut-off time.

12) Is it mandatory to open new bank account with nomenclature "Name of the SB/CM – USCNBA" and "Name of the SB/CM – DSCNBA" or whether nomenclature of existing accounts reported as "Name of SB/CM - Client Account" can be changed? Further can member open multiple USCNBA or DSCNBA?

SBs/CMs may change the nomenclature of existing client accounts to "Name of the SB/CM – USCNBA" and/or "Name of the SB/CM – DSCNBA". All other bank accounts named as "Name of SB/CM - Client Account" shall be closed.

Further, member may also open new bank account with nomenclature "Name of the SB/CM – USCNBA" and "Name of the SB/CM – DSCNBA". However, member can maintain USCNBA or DSCNBA up to 30 only as per the guidelines issued by the Exchange on maintenance of client bank accounts.

13) How shall member inform revised nomenclature of existing client bank accounts to the Exchange? What will be the impact of this circular on Daily Bank Balance reporting, Holding Statement and weekly Cash & Cash Equivalent submission by member to Exchange?

Member shall be allowed to input “Up streaming Client Nodal Bank Account (USCNBA)” and “Down streaming Client Nodal Bank Account (DSCNBA)” for all existing client bank accounts through the Enhanced Supervision Portal. Similarly, one more category i.e., “Client Nodal MFOS Account”, for reporting of demat account shall be made available in the existing DP account reporting structure through the Enhanced Supervision Portal.

Members shall not report holding lying in “Client Nodal MFOS Account" to the Exchange. Therefore, there shall not be any impact on reporting format of Holding statement submission.

Since the members shall also upstream unclaimed client funds to CC, member shall report 0 in “CLIENT BANK ACCOUNT NO.” column of Cash & Cash equivalent submission.

Further, there is no change in the existing reporting format of daily bank balances to the Exchange as both “Up streaming Client Nodal Bank Account (USCNBA)” and “Down streaming Client Nodal Bank Account (DSCNBA)” bank accounts shall continue to be reported with purpose “CLIENT BANK ACCOUNT” under Bank account type column.

14) Whether requirement pertaining to running account settlement of client funds continue after implementation of this circular?

Yes. Compliance with respect to running account settlement of client funds shall continue.

15) How to treat the funds which are received after CM upstreaming cut off time?

As per Para (V) of Part C of SEBI Circular dated June 08, 2023 on Upstreaming of client funds, SB/CM shall not accept any fresh client funds from 30 minutes before SB upstreaming cut off time.

16) What time can broker start receiving the funds from clients on next day?

It is reiterated that as per para (V) of Part C of SEBI Circular dated June 08, 2023 on Upstreaming of client funds, the SBs shall not accept any fresh client funds from 30 minutes before the SB upstreaming cut off time. Thereafter, SBs shall accept funds from the clients next day from the beginning of the day.

17) Can funds be retained by SB in USCNBA and directly transferred to DSCNBA in case of intraday trades? (Trades squared off on the same day)

No. All client funds received in USCNBA shall be first upstreamed to CCs through settlement account and then the same can be received back from CC to settlement account and settlement account to DSCNBA from which, funds shall be released to the client.

18) For management of FDR (creation, renewal and maturity), which bank account (USCNBA or DSCNBA) should be utilized?

SBs/CMs may create FDRs out of clients' funds from USCNB account only. Such FDRs created out of client funds shall necessarily be lien-marked to one of the CCs at all the times. Upon encashment/maturity of the FDR, the funds shall necessarily be received in the same USCNB account.

19) For management of MFOS (subscription/redemption), which bank account (USCNBA or DSCNBA) should be utilized?

As per Para III of Part B of SEBI Circular dated June 08, 2023, SBs/CMs shall maintain a dedicated demat account (hereinafter referred to as "Client Nodal MFOS Account") for subscription/ redemption of MFOS units. The depositories shall allow subscription/redemption transactions only in the said account.

Further, SBs/CMs shall subscribe for MFOS units out of clients' funds from USCNB account only. Such MFOS units should be in dematerialized (demat) form and must necessarily be pledged with a CC at all times. Upon redemption of MFOS units, the funds shall necessarily be received in the same USCNB account.

20) How does the SB/CM consider / process the release requests received from the clients before the client release request cut-off time?

The release requests received from the clients before "client release request cut off time" must be processed the same day. Further, such funds received from the CC must either be paid out to the clients on the same day or upstreamed back to the CC on the same day.

21) Whether any fund movements between USCNBA and DSCNBA be allowed?

As per Para II (a) of Part C of SEBI Circular dated June 08, 2023 on Upstreaming of Clients' funds, SB/CM shall receive clients' funds in USCNBA for further upstreaming to the CCs. Further Para II (b) of Part C of the said Circular prescribes that payment to clients should be done by SBs only from DSCNBA account post receiving of funds from CC/CM same day. Any balance left in the account post cutoff time should be transferred by SBs to USCNBA for further upstreaming it to the CCs. Therefore, no fund movements from USCNBA to DSCNBA shall be allowed. However, funds from one USCNBA can be moved to another USCNBA. Similarly, funds from one DSCNBA can be moved to another DSCNBA, and from DSCNBA to USCNBA.

22) Can one common USCNB account and one common DSCNB account be maintained by the member?

Yes. One common USCNB account and one common DSCNB account can be maintained by the member.

23) Is there any restriction on the count of USCNBA and DSCNBA?

Members may have multiple USCNBA and DSCNBA; however, the count of all USCNBA and DSCNBA shall not exceed 30 bank accounts.

24) Is there any collateral benefit provided by MCXCCL on the up-streamed funds?

Collateral benefit shall be provided to the respective client based on the segment wise collateral allocated to the clients and reported by the Trading Member in accordance with the provisions of the SEBI Circular No. SEBI/HO/MRD2_DCAP/CIR/2021/0598 dated July 20, 2021 on "Segregation and Monitoring of Collateral at Client Level".

25) How to deal with funds received from clients post upstreaming cut off time?

As per Para V of Part C of SEBI Circular dated June 08, 2023, SBs shall not accept any fresh client funds from 30 minutes before the SB upstreaming cut-off time.

26) Is there any impact on maintenance of a separate client bank account maintained for keeping untraceable/unclaimed clients funds?

Funds lying in a separate client bank account maintained for keeping untraceable/unclaimed clients funds shall be upstreamed to CC.

27) What if Self Clearing Member (SCM) in Capital market segment, Trading Member (TM) in Derivative segment(s) – Can the member maintain the common USCNBA & DSCNBA or Separate for SCM & TM?

Yes. One common USCNBA and one common DSCNBA across segments may be maintained.

28) Since, there shall be no balance in USCNB / DSCNB accounts, whether the balance of the Settlement account shall be considered under Weekly Enhanced Reporting?

As per the upstreaming framework, no client funds shall be retained by SBs/CMs on End of Day (EOD) basis. All client funds received in USCNB accounts shall be upstreamed to CCs. In view of the same, balance of the Settlement account shall not be considered and hence, members shall not report the same under Weekly Enhanced Reporting. Accordingly, the provision of Exchange Circular MCX/INSP/676/2021 dated October 22, 2021 shall stand modified to this extent with effect from July 01, 2023.

29) Whether the SBs/CMs are required to submit any reconciliation statement? If so, what is the periodicity?

Members shall maintain the reconciliation statement for withdrawal of client funds from CCs on a daily basis and provide the same as and when sought by the relevant authority.

Sr. No.	Circular number	Particulars
1	SEBI/HO/MIRSD/MIRSD-PoD-1/P /CIR/ 2023/84 dated June 08, 2023	Upstreaming of clients' funds by Stock Brokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs)
2	MCX/INSP/404/2023 June 26, 2023	FAQ on Upstreaming of clients' funds by Stock Brokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs)

9.16 Precautions for clients dealing in Options

Members are hereby advised to carry out due diligence to ensure that evidence of financial information / income details reflecting the satisfactory financial position of the client are collected before onboarding the clients for trading in derivatives. Members are also advised to monitor whether the trading activity of their clients in the derivatives segment, particularly in Options, is in proportion to their income / networth. Further, Trading members are also advised to regularly caution and create awareness amongst their clients/investors at least once in a fortnight through email and also display the same on their websites to sensitise them to avoid practices like:

a) Sharing of trading credentials – login id & passwords including OTP's.
b) Trading in leveraged products like options without proper understanding, which could lead to losses.
c) Writing/ selling options or trading in option strategies based on tips, without basic knowledge & understanding of the product and its risks.
d) Dealing in unsolicited tips through Whatsapp, Telegram, YouTube, Facebook, SMS, calls, etc.
e) Trading in "Options" based on recommendations from unauthorised / unregistered investment advisors and influencers.

Members are advised to regularly look for various unsolicited messages/unauthorised practices being circulated in the market and take appropriate action against the individual/person/entity in case the details such as names, phone numbers, email ids appearing in the said messages are matching with the records of their employees, authorised persons and clients. Members are also advised to take appropriate actions on the individuals/entities using their name/brand/logo and engaging in unauthorised market practices.

REGULATORY REQUIREMENTS/ REFERENCES:

Sr. No.	Subject	Circular No.

1	Precautions for clients dealing in Options	MCX/INSP/418/2022 dated July 11, 2022

9.17 Unauthorised Market Practices by Trading Members

Members' attention is drawn to Exchange Bye-Laws, Rules & Business Rules, wherein it was reiterated that members are not permitted to undertake any business/activity that is not allowed.

Members are advised to refrain from engaging in below mentioned practices.

a) **Incentives/referral schemes:** Members are advised not to engage oneself in running schemes such as sponsoring/funding ETF units for opening of trading account. Members are also advised not to offer cashback to clients acquired through referral by partnering with the third-party digital payment applications as an incentive for opening a trading account with them. Members are hereby advised to refrain from such practices and trading account opened through client referral should be strictly complied with Exchange/SEBI circulars/guidelines. Client shall not be subjected to any kind of trade inducement (including by way of generating trade calls through Interactive Voice Response (IVR) system) and it shall be ensured that all instructions for placement of orders are obtained from the respective client only.

b) **Issue of advertisements:** Members are advised not to use celebrities to promote their business, products/services/brokerage plans etc., including undertaking brand promotion. Members are hereby advised to refer Exchange circular no. MCX/MEM/184/2017 dated June 16, 2017 in this regard. Further, advertisements/promotional campaigns issued by the members should not promote or incentivise trading in specific securities/contracts which will have the effect of inducement to the clients.

c) **Inactive accounts:** As per Exchange circular no. MCX/INSP/908/2020 dated December 02, 2020, Members are required to flag the client account as "inactive" in case there are no transaction in the client account for a period of 12 months. members shall not urge clients to execute trades in their account to prevent accounts from being flagged as inactive. Hence, Members should refrain from undertaking any activity including sending oral or written business communications to clients, inducing the clients to execute trades in their account for the sole purpose of keeping the account active.

d) **Client registration documents:** The current regulatory requirements stipulate mandatory collection of additional documents related to financial details of the clients in case of trading in derivative segments, which includes copy of demat account holding statement of the client. In this regard, members are required to ensure adequate due diligence to ensure that the demat account holding statement reflect satisfactory financial position of the client before allowing them to trade in derivative segment.

e) **Assured Return Schemes/ Unauthorised Portfolio Management Service:** Members are advised not to get involved in activities/schemes of fixed / periodic payments, which are not permitted under the Bye-Laws, Rules & Business Rules and circulars of SEBI/Exchanges. It is reiterated that members are not permitted to undertake any business/activity that is not allowed under the Bye-Laws, Rules & Business Rules and circulars of SEBI/Exchanges including operating any schemes of unauthorised collective investments/portfolio management, promising indicative/ guaranteed/fixed returns/payments etc.

f) **Sharing of trading credentials (login id & password):** Members are advised that clients trading in derivatives should not be lured to share trading credentials – (login id & passwords) with the individuals/persons who promise assured returns and trade on behalf of these clients. In view of the same, members are hereby advised to carry out surveillance of trading activities of clients. Members are also advised to monitor whether the trading activity of their clients in the derivatives segment is in proportion to their income / networth.

In view of the above, members are also advised to regularly caution and create awareness amongst their clients/investors to abstain them from dealing in any schemes of unauthorised collective investments/portfolio management, indicative/ guaranteed/fixed returns / payments etc. and sensitise their clients to avoid practices like:

a) Sharing
   i. trading credentials – login id & passwords,
   ii. trading strategies
   iii. position details

b) Trading in leveraged products /derivatives without proper understanding, which could lead to losses

c) Writing/ selling options or trading in option strategies based on tips, without basic knowledge & understanding of the product and its risks

d) Dealing in unsolicited tips through Whatsapp, Telegram, YouTube, Facebook, SMS, calls, etc.

e) Trading based on recommendations from unauthorised / unregistered investment advisors.

Members are advised to lookout for various unsolicited messages being circulated in the market and take appropriate action against the individual/person/entity in case the details such as names, phone numbers, email ids appearing in the said messages are matching with the records of their employees, authorised persons and clients.

Members are advised to refrain from engaging in any practice that is against the spirit of the guidelines issued by SEBI/Exchange. Further, Members are advised to put in place adequate mechanisms to have oversight on the activities of their associates, authorised persons and take necessary action if any irregularity is observed. Non-

adherence to the Bye-Laws, Rules & Business Rules and circulars of SEBI/Exchanges will be viewed very seriously. The member will be liable for strict disciplinary action, if the member is observed to be engaging in unauthorised market practices either directly or through its Authorised person(s) and/or their Directors/Partners, employees etc.

REGULATORY REQUIREMENTS/ REFERENCES:

Sr. No.	Subject	Circular No.
1	Unauthorised Market Practices by Trading Members	MCX/INSP/193/2022 dated March 31, 2022

9.18 Safeguarding clients' assets

Activities not permitted / Liability of member for acts of omission and commission of Authorised Persons.

1. Members to ensure that they are not engaged into activities / schemes of fixed / periodic payments, which are not permitted by the Exchange / SEBI.

2. Members are not permitted to undertake any business / activity which are in contravention of Exchange / SEBI regulatory requirements including operating any schemes of unauthorised collective investments / portfolio management, promising indicative / guaranteed / fixed returns / payments etc.

3. Members may please note that all the acts of omission and commission of the Authorised Persons and its Directors / Partners, employees etc., shall be deemed to be those of the member and member shall be responsible for all such acts of its Authorised person(s) and / or their Directors / Partners, employees etc., including liabilities arising there from.

Sr. No.	Circular number	Particulars
1	MCX/INSP/635/2021 dated October 01, 2021	Safeguarding clients' assets

9.19 Enforcement Actions

A. Exchange circulars specifying regulatory actions are as under :-

Sr. No.	Circular number	Particulars
1	MCX/INSP/400/2017 dated October 30, 2017	Revised Penalty Structure
		Annexure A – Part I (a) - Penalties / Disciplinary Actions for violations with financial implications
		Annexure A – Part I (b) - Penalties / Disciplinary Actions for procedural violations
		Annexure A - Part I (c) - Penalties / Disciplinary Actions for other procedural violations
		Annexure A - Part II - Details of existing penalties / Disciplinary Actions for other violations
		Annexure B - Penalties / Disciplinary Actions to the provisions of enhanced Supervision Guidelines
2	MCX/INSP/468/2018 dated November 13, 2018	Revised penalty for dealings in cash with clients/other entities
3	MCX/INSP/602/2019 dated October 23, 2019	Penalties for the non-compliances / violations reported in the Internal Audit Report (IAR)
4	MCX/INSP/712/2019 dated December 18, 2019	Revised penalty structure for false / incorrect reporting of Margin collected (from clients) to the Exchange (Penalty for the instances of false / incorrect reporting of margin occurred from September 01, 2019).
5	MCX/INSP/397/2020 dated June 05, 2020.	Penalty Structure for Non-compliance in Handling of Clients' Securities by Members
6	MCX/INSP/962/2020 dated December 22, 2020	Penalty structure for Non closure of Client Collateral / Client Margin Trading Securities demat accounts
7	MCX/INSP/124/2021 dated February 26, 2021	Penalty structure for Late/Partial/Non-submission of undertaking/authorization to Exchange to access the information/statements pertaining to all

Sr. No.	Circular number	Particulars
		bank accounts (maintained by members) from Banks
8	MCX/INSP/125/2021 dated February 26, 2021	Penalty structure for Non-closure of bank account maintained in excess of 30 (nos.) named as “Stock Broker - Client Account” by December 31, 2020
9	MCX/INSP/590/2021 dated September 14, 2021	Penal / Disciplinary Actions for Incorrect submission of data towards Holding Statement
10	MCX/INSP/152/2022 dated March 14, 2022	Penalty structure for Non-issuance of ‘Statement of Accounts’ for funds, securities and commodities on weekly basis to clients
11	MCX/INSP/153/2022 dated March 14, 2022	Material wrong submission or incorrect submission of Cash & Cash Equivalent Balances and Bank Account Balances
12	MCX/INSP/303/2022 dated March 24,2022	Clarification on Margin collection & reporting
13	MCX/INSP/325/2016 dated September 29, 2016	Penalties for other violations
14	MCX/INSP/590/2021 dated September 14, 2021	Penal / Disciplinary Actions for Non / Late submission of data towards Cash and Cash Equivalents
15	MCX/INSP/233/2023 dated April 05, 2023	Penalty Structure for Late/Non-submission of Reporting requirement on Settlement of Running Account of Clients' Funds

B. Other Circular specifying regulatory action: -

Sr. No.	Circular issued by Ministry of Finance, Government of India	Particulars
1	Circular no. F. No. 1/26/SE/91 dated August 12, 1991 issued by Ministry of Finance (Department of Economic Affairs), Government of India	Expulsion of a Member on account of action taken by other MIIs

Penalties / Disciplinary Actions for violations will be applicable as per relevant circulars issued and applicable from time to time.

9.20 List of applicable Circulars

Sr. No.	Date of issuance	Subject	SEBI / MCX Circular Number
1	September 23, 2016	Regulatory Framework for Commodity Derivatives Brokers	SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016.
2	July 12, 2016	Simplification of Account Opening Kit	CIR/MIRSD/64/2016 dated July 12, 2016.
3	December 23, 2011	Guidelines in pursuance of the SEBI KYC Registration Agency (KRA) Regulations, 2011 and for In-Person Verification (IPV)	MIRSD/Cir- 26/2011 dated December 23, 2011.
4	August 22, 2011; December 23, 2011	Simplification and Rationalization of Trading Account Opening Process (IPV)	CIR/MIRSD/16/2011 dated August 22, 2011 along with Annexures 1 to 6; SEBI Circular No MIRSD/Cir- 26 /2011dated December 23, 2011.
5	January 04, 2013	Rationalization process for obtaining PAN by Investors	Circular number CIR/MIRSD/01 /2013 dated January 04, 2013.
6	December 03, 2009	Dealings between a client and a stock broker (trading members included)	Circular number MIRSD/ SE /Cir-19/2009 dated December 03, 2009 (Clause 1 to 11 and Clause 14 to 19 Of Annexure A)
7	December 2, 2011	The Securities and Exchange Board of India (KYC Registration Agency) Regulations, 2011.	MIRSD/Cir-23/2011 dated December 2, 2011.
8	December 23, 2011	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 December 23, 2011.
9	November 10, 2016	Uploading of the existing clients' kyc details with Central KYC Records Registry (CKYCR) System by the registered intermediaries	CIR/MIRSD/120 /2016 dated November 10, 2016.
10	July 21, 2016	Operationalisation of Central KYC Records Registry (CKYCR)	CIR/MIRSD/66/2016 dated July 21, 2016.
11	March 10, 2021	Rollout of Legal Entity Template	SEBI/HO/MIRSD/DOP/CIR/P/2021/31 dated March 10, 2021.

Sr. No.	Date of issuance	Subject	SEBI / MCX Circular Number
12	April 06, 2022	Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011	SEBI/HO/MIRSD/DoP/P/CIR/2022/46 Dated April 06, 2022.
13	June 24, 2022	Implementation of Circular on 'Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011'	SEBI/HO/MIRSD/DoP/P/CIR/2022/89 Dated June 24, 2022.
14	November 05, 2019	e-KYC Authentication facility under section 11A of the Prevention of Money Laundering Act, 2002 by Entities in the securities market for Resident Investors	SEBI/HO/MIRSD/DOP/CIR/P/2019/123 dated November 05, 2019.
15	April 24, 2020	Clarification on Know Your Client (KYC) Process and Use of Technology for KYC	SEBI/HO/MIRSD/DOP/CIR/P/2020/73 dated April 24, 2020.
16	May 12, 2020	Entities permitted to undertake e-KYC Aadhaar Authentication service of UIDAI in Securities Market	SEBI/HO/MIRSD/DOP/CIR/P/2020/80 dated May 12, 2020.
17	September 08, 2020	Entities permitted to undertake e-KYC Aadhaar Authentication service of UIDAI in Securities Market – Addition of NSE to the list	SEBI/HO/MIRSD/DOP/CIR/P/2020/167 dated September 08, 2020.
18	February 9, 2022 and February 4, 2022	Clarifications with respect to SEBI circular no. SEBI/HO/ MIRSD/DOP/CIR/P/2020/73 dated April 24, 2020 regarding Clarification on Know Your Client (KYC) Process and Use of Technology for KYC	MCX/INSP/067/2022 dated February 9, 2022, based on SEBI email dated February 4, 2022.
19	October 09, 2018	Participation of Eligible Foreign Entities (EFEs) in the commodity derivatives market	SEBI/HO/CDMRD/DMP/CIR/P/2018/134 dated October 09, 2018.

Sr. No.	Date of issuance	Subject	SEBI / MCX Circular Number
20	November 05, 2019	Operational Guidelines for FPIs & DDPs under SEBI (Foreign Portfolio Investors), Regulations 2019 and for Eligible Foreign Investors	IMD/FPI&C/CIR/P/2019/124 dated November 05, 2019.
21	December 19, 2022	Master Circular for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors	SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19, 2022.
22	July 23, 2021	Nomination for Eligible Trading and Demat Accounts	SEBI/HO/MIRSD/RTAMB/CIR/P/2021/601 dated July 23, 2021.
23	February 24, 2022	Nomination for Eligible Trading and Demat Accounts – Extension of timelines and relaxations for existing account holders	SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/23 dated February 24, 2022.
24	November 05, 2019, May 12, 2020, September 08, 2020 and July 20, 2022	e-KYC Authentication facility under section 11A of the Prevention of Money Laundering Act, 2002 by Entities in the securities market for Resident Investors	SEBI circular No. SEBI/HO/MIRSD/DOP/ CIR/P/2019/123 dated November 05, 2019, SEBI/HO/MIRSD/DOP/CIR/P/2020/80 dated May 12, 2020, SEBI/HO/MIRSD/DOP/CIR/P/2020 dated September 08, 2020, SEBI Circular SEBI/HO /MIRSD/SEC-5/P/CIR/2022/99 dated July 20, 2022.
25	December 5, 2011 December 23, 2011, April 13, 2012, March 22, 2013 and March 28, 2013	Uploading KYC information with KYC Registration Agency KRA	SEBI Circular No. MIRSD/Cir-23/2011dated December 5, 2011, SEBI Circular No MIRSD/Cir- 26 /2011dated December 23, 2011, SEBI circular MIRSD/ Cir-5 /2012 dated April 13, 2012, SEBI notification no LAD-NRO/GN/201213/35/6998 dated March 22, 2013, SEBI circular CIR/MIRSD/4/2013 dated March 28, 2013.
26	December 03, 2009	Delivery of copy of duly completed Client registration forms	SEBI circular MIRSD/ SE /Cir-19/2009 dated December 03, 2009.
27	April 23, 2010 and	Execution of 'Demat Debit and Pledge Instruction' (DDPI) /	SEBI circular No. CIR/MRD/DMS/13/2010, dated April 23, 2010,

Sr. No.	Date of issuance	Subject	SEBI / MCX Circular Number
	August 31, 2010 August 27,2020 April 04, 2022 June 30, 2022 October 06, 2022 November 25, 2022	Power of Attorney (POA) by clients	SEBI circular no CIR/MRD/DMS/28/2010 dated August 31, 2010. SEBI circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/158 dated August 27,2020, SEBI circular No. SEBI/HO/MIRSD/DoP /P/CIR/2022/44 dated April 04, 2022, SEBI circular No. SEBI/HO/MIRSD/DoP/P/CIR/2022/91 June 30, 2022, SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/137 dated October 06, 2022, SEBI circular no. SEBI/HO/MIRSD/DoP/P/CIR/2022/162 dated November 25, 2022.
28	January 24, 2013	Guidelines on Identification of Beneficial Ownership	SEBI circular No. CIR/MIRSD/2/2013 dated January 24, 2013.
29	December 6, 2016	Client Registration documents in vernacular language	MCX/INSP/419/2016 dated December 6, 2016.
30	July 21, 2016 November 10, 2016 March 10, 2021	Operationalization of Central KYC Records Registry CKYCR and uploading of clients' KYC details	SEBI circular CIR/MIRSD/ 66 /2016 dated July 21, 2016 SEBI circular CIR/MIRSD/120/2016 dated November 10, 2016 SEBI circular SEBI/HO/MIRSD/DOP/CIR/P/2021/31 dated March 10, 2021.
31	July 26, 2021 August 18, 2021	Online Closure of Trading Accounts	MCX/INSP/460/2021 dated July 26, 2021 MCX/INSP/524/2021 dated August 18, 2021.
32	December 2, 2011	The Securities and Exchange Board of India (KYC Registration Agency) Regulations, 2011.	MIRSD/Cir-23/2011 dated December 2, 2011.
33	December 02, 2020	Guidelines for Inactive Client Accounts	MCX/INSP/908/2020 dated December 02, 2020.
34	September 29, 2022	Participation of SEBI registered FPIs in Exchange Traded Commodity Derivatives in India	MCX/FIM/560/2022 dated September 29, 2022.
35	December 15, 2000	Use of Digital Signature on Contract Notes	SMDRP/Policy/Cir-56/2000 dated December 15, 2000.
36	April 29, 2003	Issuance of Contract Notes in electronic form	SMD/SE/15/2003/29/04 dated April 29, 2003.

Sr. No.	Date of issuance	Subject	SEBI / MCX Circular Number
37	September 8, 2005	Electronic issuance of contract notes – Additional conditions	MRD/DoP/SE/Cir-20/2005 dated September 8, 2005.
38	December 3, 2009	Dealings between a client and a stockbroker (trading members included)	Clause 13 of Annexure A to MIRSD/SE /Cir-19 /2009 dated December 3, 2009.
39	June 09, 2017	Format of revised Contract Note	MCX/INSP/174/2017 dated June 09, 2017.
40	June 08, 2022	Issuance of Electronic Contract Notes (ECN) through SMS/electronic instant messaging services	MCX/INSP/337/2022 dated June 08, 2022.
41	October 03, 2022	Display of Brokerage, Statutory & Regulatory Levies	MCX/CTCL/567/2022 October 03, 2022.
42	September 7, 2016	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.
43	September 26, 2016	Commodity Derivatives-Miscellaneous norms	SEBI/HO/CDMRD/DRMP/CIR/P/2016/93 dated September 26, 2016.
44	February 25, 2020	Margin obligations to be given by way of Pledge/ Re-pledge in the Depository System	SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020.
45	July 20, 2020	Framework to Enable Verification of Upfront Collection of Margins from Clients in Cash and Derivatives segments	SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated July 20, 2020.
46	April 04, 2022	Execution of 'Demat Debit and Pledge Instruction' (DDPI) for transfer of securities towards deliveries / settlement obligations and pledging / repledging of securities	SEBI/HO/MIRSD/DoP/P/CIR/2022/44 dated April 04, 2022.
47	May 10, 2022	Changes to the Framework to Enable Verification of Upfront Collection of Margins from Clients in Cash and Derivatives segments	SEBI/HO/MRD2/DCAP/P/CIR/2022/60 May 10, 2022.

Sr. No.	Date of issuance	Subject	SEBI / MCX Circular Number
48	September 09, 2020, October 22, 2021 and May 24, 2022	Short reporting of margin shall not to be passed on to the clients	Exchange circular nos. MCX/INSP/659/2020 dated September 09, 2020, MCX/INSP/672/2021 dated October 22, 2021, and MCX/INSP/303/2022 dated May 24, 2022.
49	February 01, 2023	Changes to the Framework to Enable Verification of Upfront Collection of Margins from Clients in Cash and Derivatives segments	SEBI/HO/MRD/MRD-PoD-2/P/CIR/2023/016 dated February 01, 2023.
50	September 26, 2016	Enhanced supervision of Stock Brokers/Depository Participants	SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.
51	October 22, 2021	Submission of data towards monitoring of client funds under Enhanced Supervision Guidelines	MCX/INSP/676/2021 dated October 22, 2021.
52	January 08, 2021 January 29, 2021	Submission of Undertaking / Authorization to the Exchange to access the information/ statements pertaining to all bank accounts (maintained by members) from Banks	MCX/INSP/015/2021 dated January 08, 2021 MCX/INSP/061/2021 dated January 29, 2021
53	December 18, 2020 December 14, 2021 and January 15, 2021	Submission of data towards 'Client Level Cash & Cash Equivalent Balances' and 'Holding Statement	MCX/INSP/956/2020 dated December 18, 2020, MCX/INSP/769/2021 dated December 14, 2021, MCX/INSP/032/2021 dated January 15, 2021.
54	February 10, 2020 May 28, 2020	Weekly Submission of Day Wise Client Funds, Securities Balances & Bank Account Balances(Format of Bank Account Balances to upload)	MCX/INSP/085/2020 dated February 10, 2020 MCX/INSP/376/2020 dated May 28, 2020.

Sr. No.	Date of issuance	Subject	SEBI / MCX Circular Number
55	August 06, 2019	Guidelines for detecting suspicious transactions under Rule 7(3) of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005	MCX/INSP/419/2019 dated August 06, 2019.
56	February 03, 2023	Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under	SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 dated February 03, 2023.
57	July 12, 2018, September 19, 2022 and November 25, 2022	Mode of payment and delivery	SEBI circular SEBI/HO/MIRSD /DOP/ CIR/P/2018/113 dated July 12, 2018, SEBI Circular SEBI/HO/ MIRSD/DoP/P/CIR/2022/119 dated September 19, 2022, SEBI circular no. SEBI/HO/MIRSD /DoP/P/CIR /2022/162 dated November 25, 2022.
58	June 9, 2011	Receipt of funds in the form of Pre-funded instruments / Electronic fund transfers	SEBI circular CIR/MIRSD/03/2011 dated June 9, 2011.
59	May 13, 2011 December 03, 2009 June 16, 2021 July 27, 2022	Settlement of Running Account of Clients' Funds	SEBI circular SEBI/MIRSD/Cir/01/2011 dated May 13, 2011 SEBI circular MIRSD/ SE/Cir-19/2009 dated December 03, 2009, SEBI Circular No. SEBI/HO/MIRSD/DOP /P/CIR/2021 /577 dated June 16, 2021 SEBI Circular No: SEBI/HO/MIRSD /DOP/P/CIR/2022 /101 dated July 27, 2022.
60	May 13, 2011	Statement of Accounts for Funds, Securities and Commodities	SEBI circular SEBI/MIRSD/Cir/01/2011 dated May 13, 2011.
61	September 26, 2016	Clarifications on funding in connection with / incidental to /consequential upon the securities business	SEBI circular SEBI/HO/MIRSD/MIRSD2/ CIR/P/ 2016/95 September 26, 2016.

Sr. No.	Date of issuance	Subject	SEBI / MCX Circular Number
62	November 18, 1993 September 26, 2016 June 20, 2019 July 20, 2021 July 16, 2021 August 18, 2022 October 27, 2022 November 11, 2022	Handling of client funds and securities	SEBI circular SMD/SED/CIR/93/23321 dated November 18, 1993, SEBI circular SEBI/HO/MIRSD/ MIRSD2/CIR /P/2016/95 , September 26, 2016 , SEBI circular No. CIR/HO/MIRSD/DOP/ CIR/P/2019/ 75 dated June 20, 2019, SEBI Circular No. SEBI/HO /MRD2_DCAP /CIR /2021 /0598 dated July 20, 2021, SEBI Circular No: SEBI /HO/MIRSD/DOP /P/CIR /2021 /59 dated July 16, 2021, SEBI Circular No. SEBI/HO/MIRSD/DoP /P/CIR /2022/109 dated August 18, 2022; SEBI Circular No: SEBI/HO/MIRSD/ DoP/P/CIR/2022 /143 dated October 27, 2022, SEBI circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR /2022/153 dated November 11, 2022.
63	September 26, 2016 June 20, 2019	Pledging of client securities	SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 September 26, 2016 SEBI circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019.
64	September 26, 2017 November 30, 2017 January 11, 2018 March 22, 2018	Prevention of Unauthorised Trading by Stock Brokers	SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017, SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/124 dated November 30, 2017, SEBI circular CIR /HO/MIRSD/MIRSD /CIR/P/2018/09 dated January 11, 2018 SEBI circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018.

Sr. No.	Date of issuance	Subject	SEBI / MCX Circular Number
65	July 01, 2020	Submission of undertaking pursuant to Standard Operating Procedure in the cases of Trading Member leading to default	SEBI Circular No: SEBI/HO/MIRSD /DPIEA/CIR/P /2020/115 dated July 01, 2020.
66	February 15, 2023 February 17, 2023	Maintenance of a website by Stock Brokers and Depository Participants	SEBI Circular no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/30 dated February 15, 2023 MCX/MEM/112/2023 February 17, 2023.
67	September 26, 2016 and December 17, 2018	Enhanced Supervision of Stockbrokers	SEBI circular SEBI/HO/MIRSD /MIRSD2/CIR/P /2016/95 dated September 26, 2016 SEBI Circular SEBI/HO/MIRSD/DOP/CIR/P/2018/153 dated December 17, 2018.
68	October 28, 2021 September 26, 2016, June 20, 2022	Guidelines for maintaining bank accounts and Reporting of Bank & Demat Accounts	SEBI Circular No. SEBI/HO/MIRSD/DOP/P/CIR /2021/653 dated October 28, 2021, SEBI circular SEBI/HO/MIRSD /MIRSD2/CIR/ P/2016/95 dated September 26, 2016, SEBI circular SEBI/HO/ MIRSD/MIRSD_DPIEA/P /CIR/2022/83 dated June 20, 2022.
69	February 10, 2021 and July 07, 2022	Financing of Securities / Commodities Transactions	MCX/INSP/082/2021 dated February 10, 2021 & MCX/INSP/407/2022 dated July 07, 2022
70	September 29, 2021	Advisory for Investors	MCX/ISD/625/2021 dated September 29, 2021.
71	January 04, 2019	Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by market intermediaries	SEBI/HO/MIRSD/DOS2/CIR/P/2019/10 dated January 04, 2019.
72	August 27, 2003	Mode of payment and delivery	SMD/MRD/SE/CIR-33/2003/27/08 dated August 27, 2003.
73	November 18, 1993	Regulation of transaction between Clients and Members	Ref. SMD-1/23341 dated November 18, 1993.
74	November 18, 1993	Regulation of transaction between Clients and Brokers	Ref. SMD/SED/CIR/93/23321 dated November 18, 1993.

Sr. No.	Date of issuance	Subject	SEBI / MCX Circular Number
75	October 21, 2016	Uploading / updating Client information in KYC records, UCC Database, KRA Database, CKYCR, Outsourcing of Activities, FATCA and Common Reporting Standards	MCX/INSP/363/2016 dated October 21, 2016.
76	October 22, 2021	Submission of data towards monitoring of client funds under Enhanced Supervision Guidelines	MCX/INSP/676/2021 dated October 22, 2021.
77	January 08, 2021 January 29, 2021	Submission of Undertaking / Authorization to the Exchange to access the information/ statements pertaining to all bank accounts (maintained by members) from Banks	MCX/INSP/015/2021 dated January 08, 2021 MCX/INSP/061/2021 dated January 29, 2021.
78	December 18, 2020, December 14, 2021 and January 15, 2021	Submission of data towards 'Client Level Cash & Cash Equivalent Balances' and 'Holding Statement	MCX/INSP/956/2020 dated December 18, 2020, MCX/INSP/769/2021 dated December 14, 2021, MCX/INSP/032/2021 dated January 15, 2021.
79	February 10, 2020 May 28, 2020	Weekly Submission of Day Wise Client Funds, Securities Balances & Bank Account Balances (Format of Bank Account Balances to upload)	MCX/INSP/085/2020 dated February 10, 2020 MCX/INSP/376/2020 dated May 28, 2020.
80	March 22, 2018	Circular on Prevention of Unauthorised Trading by Stock Brokers	SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018.
81	November 18, 1993	Regulation of Transactions between Clients and Brokers	SMD/SED/CIR/93/23321 dated November 18, 1993.
82	April 17, 2008	Collateral deposited by clients with brokers	MRD/DoP/SE/Cir-11/2008 dated April 17, 2008.

Sr. No.	Date of issuance	Subject	SEBI / MCX Circular Number
83	June 20, 2022	Naming / Tagging of demat accounts maintained by Stockbrokers	SEBI/HO/MIRSD/ MIRSD_DPIEA/P/CIR/2022/83 dated June 20, 2022.
84	November 01, 2021	Maintenance of current accounts in multiple banks by Stockbrokers	MCX/INSP/696/2021 dated November 01, 2021.
85	September 07, 2020	Investor Awareness regarding margin by way of pledge of securities	MCX/INSP/649/2020 dated September 07, 2020.
86	January 04, 2019	Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by market intermediaries	SEBI/HO/MIRSD/DOS2/CIR/P/2019/10 dated January 04, 2019.
87	March 10, 2023	Maintenance of Daily Reconciliation Statement	MCX/INSP/165/2023 dated March 10, 2023.
88	March 06, 2023	Display of Details of Members' Client Bank Accounts on Website	MCX/INSP/156/2023 dated March 06, 2023.
89	January 25, 2023	Change in frequency of submission for Holding Statement and Bank Account Balances	MCX/INSP/044/2023 dated January 25, 2023.
90	December 29, 2022	Reporting requirement on Settlement of Running Account of Clients' Funds lying with Trading Member (TM)	MCX/INSP/749/2022 dated December 29, 2022.
91	September 26, 2022	FAQ on Settlement of Running Account of Client's Funds lying with Trading Member (TM)	MCX/INSP/551/2022 dated September 26, 2022.
92	August 28, 2014	Use of terminals, placing of notice boards	SEBI circular CIR/MIRSD/3/2014 dated August 28, 2014.
93	November 4, 2010	Display of details by stockbrokers including trading members	SEBI circular no Cir/MIRSD/9/2010 dated November 4, 2010.
94	October 22, 2019 & January 28, 2022	Framework for Supervision of Authorised Persons (APs) and Branches by Members	MCX/INSP/601/2019 dated October 22, 2019 & MCX/MEM/052/2022 dated January 28, 2022.
95	March 6, 2019	Mandatory requirement of NISM-Series-III A,	MCX/MEM/124/2019 dated March 6, 2019.

Sr. No.	Date of issuance	Subject	SEBI / MCX Circular Number
		Certification for Compliance officer	
96	October 06, 2020	Requirement of NISM-Series-XVI: Commodity Derivatives Certification Examination for Approved users	MCX/TRD/742/2020 dated October 06, 2020.
97	December 15, 2011	Guidelines on Outsourcing of Activities by Intermediaries	SEBI Circular No. CIR/MIRSD/24/2011 dated December 15, 2011.
98	December 09, 2009	Maintenance of books of accounts and other documents / Preservation of records	SEBI circular MRD/Dop/SE/CIR-21/2009 dated December 09, 2009.
99	August 30, 2016	Maintenance and Preservation of Records	SEBI/HO/CDMRD/DMP/CIR/P/2016/74 dated August 30, 2016.
100	October 14, 2022 and March 20, 2018	Risk Based Supervision	MCX/INSP/590/2022 dated October 14, 2022, and MCX/INSP/101/2018 dated March 20, 2018.
101	December 02, 2021 and December 15, 2021	Publishing Investor Charter and disclosure of Investor Complaints by Stock Brokers on their websites	SEBI/HO/MIRSD/DOP/P/CIR/2021/676 dated December 02, 2021; MCX/ISD/775/2021 dated December 15, 2021.
102	November 10, 2022	Investor Charter – Escalation Matrix	MCX/ISD/638/2022 dated November 10, 2022.
103	May 22, 2019	Participation of Portfolio Managers in Commodity Derivatives Market in India	SEBI/HO/IMD/DF1/CIR/P/2019/066 dated May 22, 2019.
104	May 07, 1997 April 27, 1995	Members of a Stock Exchange, whether individual, partnership or corporate, shall not engage in any business other than that of securities	Rule 8(1)(f) and 8(3)(f) of Securities Contracts (Regulation) Rules, 1957. SMD/Policy/Cir-6/97 dated May 07, 1997. SMD/VRN/1476/95 dated April 27, 1995.
105	February 06, 2023	Enhanced Obligations and Responsibilities on Qualified Stock Brokers (QSBs)	SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/24 dated February 06, 2023.
106	March 06, 2023	Enhanced Obligations and Responsibilities on Qualified Stock Brokers (QSBs)	MCX/MEM/154/2023 dated March 06, 2023.

Sr. No.	Date of issuance	Subject	SEBI / MCX Circular Number
107	June 02, 2023	Enhanced Obligations and Responsibilities on Qualified Stock Brokers (QSBs) – Comprehensive operating guidelines	MCX/MEM/358/2023 dated June 02, 2023.
108	April 25, 2023	Bank Guarantees (BGs) created out of clients' funds	MCX Circular MCX/INSP/270/2023 dated April 25, 2023.
109	October 30, 2017	Revised Penalty Structure	MCX/INSP/400/2017 dated October 30, 2017.
		Annexure A – Part I (a) - Penalties / Disciplinary Actions for violations with financial implications	
		Annexure A – Part I (b) - Penalties / Disciplinary Actions for procedural violations	
		Annexure A - Part I (c) - Penalties / Disciplinary Actions for other procedural violations	
		Annexure A - Part II - Details of existing penalties / Disciplinary Actions for other violations	
		Annexure B - Penalties / Disciplinary Actions to the provisions of enhanced Supervision Guidelines	
110	November 13, 2018	Revised penalty for dealings in cash with clients/other entities	MCX/INSP/468/2018 dated November 13, 2018.
111	October 23, 2019	Penalties for the non-compliances / violations reported in the Internal Audit Report (IAR)	MCX/INSP/602/2019 dated October 23, 2019.
112	December 18, 2019	Revised penalty structure for false / incorrect reporting of Margin collected (from clients) to the Exchange (Penalty for the instances of false / incorrect reporting of margin occurred from September 01, 2019).	MCX/INSP/712/2019 dated December 18, 2019.

Sr. No.	Date of issuance	Subject	SEBI / MCX Circular Number
113	June 05, 2020	Penalty Structure for Non-compliance in Handling of Clients' Securities by Members	MCX/INSP/397/2020 dated June 05, 2020.
114	December 22, 2020	Penalty structure for Non closure of Client Collateral / Client Margin Trading Securities demat accounts	MCX/INSP/962/2020 dated December 22, 2020.
115	February 26, 2021	Penalty structure for Late/Partial/Non-submission of undertaking/authorization to Exchange to access the information/statements pertaining to all bank accounts (maintained by members) from Banks	MCX/INSP/124/2021 dated February 26, 2021.
116	February 26, 2021	Penalty structure for Non-closure of bank account maintained in excess of 30 (nos.) named as "Stock Broker - Client Account" by December 31, 2020	MCX/INSP/125/2021 dated February 26, 2021.
117	September 14, 2021	Penal / Disciplinary Actions for Incorrect submission of data towards Holding Statement	MCX/INSP/590/2021 dated September 14, 2021.
118	March 14, 2022	Penalty structure for Non-issuance of 'Statement of Accounts' for funds, securities and commodities on weekly basis to clients	MCX/INSP/152/2022 dated March 14, 2022.
119	March 14, 2022	Material wrong submission or incorrect submission of Cash & Cash Equivalent Balances and Bank Account Balances	MCX/INSP/153/2022 dated March 14, 2022.
120	March 24, 2022	Clarification on Margin collection & reporting	MCX/INSP/303/2022 dated March 24, 2022.
121	September 29, 2016	Penalties for other violations	MCX/INSP/325/2016 dated September 29, 2016.
122	September 14, 2021	Penal / Disciplinary Actions for Non / Late submission of data towards Cash and Cash Equivalents	MCX/INSP/590/2021 dated September 14, 2021.

Sr. No.	Date of issuance	Subject	SEBI / MCX Circular Number
123	April 05, 2023	Penalty Structure for Late/Non-submission of Reporting requirement on Settlement of Running Account of Clients' Funds	MCX/INSP/233/2023 dated April 05, 2023.
124	August 12, 1991	Expulsion of a Member on account of action taken by other MIIs	Circular no. F. No. 1/26/SE/91 dated August 12, 1991, issued by Ministry of Finance (Department of Economic Affairs), Government of India.
125	April 26, 2023	Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act,2005	SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/062 dated April 26, 2023.
126	May 05, 2023	Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act,2005	MCX/INSP/293/2023 dated May 05, 2023.
127	February 16, 2022	Internal Audit of Members	MCX/INSP/084/2022 February 16, 2022.
128	April 10, 2023	Submission of Internal Audit Report for the half year ended on March 31, 2023	MCX/INSP/243/2023 dated April 10, 2023.
129	August 22, 2008	Internal Audit for Stockbrokers/Clearing Members	SEBI vide Circular No. MIRSD/DPSIII/Cir-26/08 dated August 22, 2008.
130	January 29, 2021	Submission of Undertaking / Authorization to the Exchange to access the information/ statements pertaining to all bank accounts (maintained by members) from Banks	MCX/INSP/061/2021 dated January 29, 2021.
131	October 22, 2021	Submission of data towards monitoring of client funds under Enhanced Supervision Guidelines	MCX/INSP/676/2021 dated October 22, 2021.
132	January 5, 2022	Submission of data towards monitoring of client funds under Enhanced Supervision Guidelines	MCX/INSP/005/2022 dated January 5, 2022.

Sr. No.	Date of issuance	Subject	SEBI / MCX Circular Number
133	January 16, 2023	Requirement of NISM-Series-XVI- Commodity Derivatives Certification Examination details for Approved User	MCX/TRD/026/2023 dated January 16, 2023.
134	July 11, 2022	Precautions for clients dealing in Options	MCX/INSP/418/2022 dated July 11, 2022.
135	February 03, 2023	Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under.	SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 dated February 03, 2023.
136	June 16, 2023	Amendment to Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money-laundering Act, 2002 and Rules framed there under.	SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2023/091 dated June 16, 2023.
137	October 01, 2021	Safeguarding clients' assets	MCX/INSP/635/2021 dated October 01, 2021.
138	June 08, 2023	Upstreaming of clients' funds by Stock Brokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs)	SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/84 dated June 08, 2023.
139	June 26, 2023	FAQ on Upstreaming of clients' funds by Stock Brokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs)	MCX/INSP/404/2023 June 26, 2023.

Sr. No.	Date of issuance	Subject	SEBI / MCX Circular Number
140	July 20, 2021	Segregation and Monitoring of Collateral at Client Level.	SEBI/HO/MRD2_DCAP/CIR/2021/0598 dated July 20, 2021.
141	January 07, 2023	Reporting requirement on Settlement of Running Account of Clients' Funds lying with Trading Member (TM)	MCX/INSP/016/2023 January 07, 2023.
142	March 29, 2023	Settlement of Running Account of Client's Funds lying with Trading Member (TM)	MCX/INSP/207/2023 dated March 29, 2023.
143	January 12, 2018, and November 28, 2017	Issuance of Annual Global Statement	MCX/INSP/013/2018 January 12, 2018, and MCX/INSP/444/2017 November 28, 2017.
144	July 27, 2022	Settlement of Running Account of Client's Funds lying with Trading Member (TM).	SEBI/HO/MIRSD/DOP/P/CIR/2022/101 dated July 27, 2022.
145	June 16, 2021	Settlement of Running Account of Client's Funds lying with Trading Member (TM)	SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021.
146	June 08, 2023	Standardisation of Bank Book and Client ledger	MCX/INSP/366/2023 dated June 08, 2023.
147	March 11, 2020	Amendment in 'Rights and Obligations of Members, Authorized Persons and Clients' of FMC circular No. FMCCOMPLIVKRA-051114 dated February 26, 2015.	MCX/INSP/162/2020 dated March 11, 2020.
148	April 12, 2022	Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011	MCX/INSP/218/2022 April 12, 2022.
149	July 27, 2022	Implementation of Circular on 'Guidelines in pursuance of amendment to SEBI KYC	MCX/INSP/448/2022 July 27, 2022.

Sr. No.	Date of issuance	Subject	SEBI / MCX Circular Number
		(Know Your client) Registration Agency (KRA) Regulations, 2011'	
150	July 5, 2019	Displaying of information regarding SEBI Complaint Redress System (SCORES) on the website	MCX/ISD/359/2019 dated July 5, 2019.
151	November 15, 2017	Anti- Money Laundering Guidelines	MCX/INSP/421/2017 November 15, 2017.

Part B – Master Circular – Inspection and Audit Department
(Reference from Part A)

I. Client Registration Documents
II. Contract Note Format
III. Nomination Form
IV. Declaration Form for opting out of nomination
V. Demat Debit and Pledge Instruction
VI. Information regarding Grievance Redressal Mechanism
VII. Format of Cash & Cash Equivalent Balances
VIII. Indicative Format For Retention Statement
IX. Format with respect to maintenance of Bank Book
X. Format with respect to maintenance of Client Ledger
XI. Formats for various submission

I.Client Registration Documents

Annexure	Subject
Annexure – 1	Client Registration Documents
	Part-I - “Individuals” Part-I - “Non-Individuals” Part-II - “Individuals” and “Non-Individuals” (Update GST details under point F and Delete – G in Part - II)
Annexure – 2	Risk Disclosure Document **(Including Additional Risk Disclosure documents for Options Trading)**
Annexure – 3	Rights and Obligations of Members, Authorised Persons and Clients
Annexure – 4	Guidance Note – Do’s and Don’ts for the clients
	Tariff Sheet
	Policies and Procedures

Annexure – 1 - SET OF ACCOUNT OPENING DOCUMENT

Name of member: _____
SEBI Registration No.: _____
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) application form	KYC form - Document captures the basic information about the constituent and an instruction/check list. (Use GST details under point F and Delete – G in Part - II)	
2	Uniform Risk Disclosure Document (RDD)	Document detailing risks associated with dealing in the commodities market.	
3	Rights and Obligations of Members, Authorized Persons and Clients	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) *Authorization of adjustment of funds among securities exchange and commodities exchange.*

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)

M M

☐

☐ B- Voter ID Card

☐ C- PAN Card

☐ D- Driving Licence Driving Licence Expiry Date D D – M M – Y Y Y Y

☐

☐

☐ Z- Others (any document notified by the central government Identification Number

☐ S- Simplified Measures Account - Document Type code Identification Number

A- Passport Number Passport Expiry Date D D – M M – Y Y Y Y

E- UID (Aadhaar)

F- NREGA Job Card

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

• I hereby consent to receiving information from Central KYC Registry through SMS/Email on the above registered number/email address.

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]

information is found to be false or untrue or misleading or misrepresenting, I am aware that I may be held liable for it.

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 'Z- 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 (S).

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 'Z- 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 !Côte d'Ivoire	CI	Korea, Democratic People's Republic of	KP	Reunion !Réunion	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 !Curaçao	CW	Kyrgyzstan	KG	Rwanda	RW	Yemen	YE
Cyprus	CY	Lao People's Democratic Republic	LA	Saint Barthelemy !Saint 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.

[Signature / Thumb Impression]

Signature / Thumb Impression of Applicant

Date : D D M M Y Y Y Y Place :

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.

For office use only (To be filled by financial institution)

Application Type* ☐ New ☐ Updat

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

☐ Z- Others (any document notified by the central government.) Identification Number

S- Simplified Measures Account - Document Type code Identification Number

2. APPLICANT DECLARATION

☐ Y

E- UID (Aadhaar)

F- NREGA Job Card

- 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]	

Non Individuals CKYC Form

'CENTRAL KYC REGISTRY | Know Your Customer (KYC) Application Form | Legal Entity/ Other than Individuals

Important Instructions:

A) Fields marked with '*' are mandatory fields.
B) Tick '✓' wherever applicable.
C) Please fill the date in DD-MM-YYYY format.
D) Please fill the form in English and in BLOCK letters.
E) KYC number of applicant is mandatory for update application.
F) List of State / U.T code as per Indian Motor Vehicle Act,1988 is available at the end.
G) List of two character ISO 3166 country codes is available at the end.
H) Please read section wise detailed guidelines / instructions at the end.
I) 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 Application Type* ☐ New ☐ Update
(To be filled by financial institution) KYC Number *(Mandatory for KYC update request)*

☐ **1. ENTITY DETAILS*** (Please refer instruction **A** at the end)

☐ Name*

Entity Constitution Type* Others (Specify) (Please refer instruction B at the end)

Date of Incorporation / Formation* D D – M M – Y Y Y Y Date of Commencement of Business D D – M M – Y Y Y Y

Place of Incorporation / Formation* Country of Incorporation / Formation* TIN or Equivalent Issuing Country

PAN * Form 60 furnished

TIN / GST Registration Number

☐ 2. PROOF OF IDENTITY (PoI)* (Please refer instruction **B** at the end)

☐ Officially valid document(s) in respect of person authorised to transact
☐ Certificate of Incorporation / Formation ☐ Registration Certificate Regn Certificate No.
☐ Memorandum and Articles of Association ☐ Partnership Deed ☐ Trust Deed
☐ Resolution of Board / Managing Committee ☐ Power of attorney granted to its manager, officers or employees to transact on its behalf
☐ Activity Proof - 1 (For Sole Proprietorship Only) ☐ Activity Proof - 2 (For Sole Proprietorship Only)

☐ 3. ADDRESS* (Please see instruction **C** at the end)

3.1 Registered Office Address / Place of Business*

Proof of Address* ☐ Certificate of Incorporation / Formation ☐ Registration Certificate ☐ Other Document
Line 1*
Line 2
Line 3 City / Town / Village*
District* PIN / Post Code* State / U.T Code* ISO 3166 Country Code*

3.2 Local Address in India (If different from Above)*

Line 1*
Line 2
Line 3 City / Town / Village*
District* PIN / Post Code* State / U.T Code* ISO 3166 Country Code*

☐ 4. CONTACT DETAILS (All communications will be sent to Mobile number/ Email-ID provided" may be used) (Please refer instruction **D** at the end)

Tel. (Off) – FAX –
Mobile – Email ID
Mobile – Email ID

☐ 5. NUMBER OF RELATED PERSONS (Please refer instruction **E** at the end)

☐ **6. REMARKS** (If any)

7. APPLICANT DECLARATION (Please refer Instruction **G** at the end)

- 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/we 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 Authorised Person(s)

Date : D D – M M – Y Y Y Y Place:

8. ATTESTATION / FOR OFFICE USE ONLY

Documents Received ☐ Certified Copies ☐ Equivalent e-document

KYC VERIFICATION CARRIED OUT BY

Identity Verification ☐ Done Date D D – M M – Y Y Y Y

Emp. Name

Emp. Code

Emp. Designation

Emp. Branch

[Employee Signature]

INSTITUTION DETAILS

Name

Code

[Institution Stamp]

CENTRAL KYC REGISTRY | Instructions / Check list / Guidelines for filling Legal Entity / Other than Individuals KYC Application Form

A Clarification / Guidelines for filing Entity Details section

1 Entity Constitution Type

A - Sole Proprietorship	H - Trust	O - Artificial Jurisdical Person
B - Partnership Firm	I - Liquidator	P - International Organisation or Agency /Foreign Embassy or Consular Office etc.
C - HUF	J - Limited Liability Partnership	Q - Not Categorized
D - Private Limited Company	K - Artificial Liability Partnership	R - Others
E - Public Limited Company	L - Public Sector Banks	S - Foreign Portfolio Investors
F - Society	M - Central/State Government Department or Agency	
G - Association of Persons (AOP) / Body of Individuals (BOI)	N - Section 8 Companies (Companies Act, 2013)	

2 In case of companies and partnerships, PAN of the entity is mandatory. In case of other entitites, FORM 60 may be obtained if PAN is not available.

B Clarification / Guidelines for filling 'Proof of Identity[PoI]' section

1 Activity Proof - 1 and Activity Proof - 2 are applicable for accounts in case of proprietorship firms. Please refer to relevant instructions issued by the Reserve Bank of India in this regard.

2 Please refer to the relevant instructions issued by the regulator regarding applicable documents for the legal entity.

3 Certified copy of document or equivalent e-document or OVD obtained through Digital KYC process to be submitted.

4 'Equivalent e-document' means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the client as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.

5 'Digital KYC process' has to be carried out as stipulated in the PML Rules, 2005.

6 KYC requirements for Foreign Portfolio Investors (FPIs) will be as specified by the concerned regulator from time to time.

C Clarification / Guidelines for filling 'Proof of Address [PoA]' section

1 State / U.T Code and Pin / Post Code will not be mandatory for Overseas addresses.

2 Certified copy of document or equivalent e-document to be submitted.

D Clarification / Guidelines for 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.

E Clarification / Guidelines for filling 'Related Person Details' section

1 Personal Details
- The name should match the name as mentioned in the Proof of Identity submitted failing which the application is liable to be rejected.

2 Proof of Address [PoA]
- 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.
- State / U.T Code and Pin / Post Code will not be mandatory for Overseas addresses.
- In case of deemed PoA such as utility bill, the document need not be uploaded on CKYCR
- REs may use the Self Declaration check box where Aadhaar authentication has been carried out successfully for a client and client wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository.

3 If KYC number of Related Person is available, no other details except 'Person Type' and 'Name of the Related Person' are required.

4 Regulated Entity (RE) shall redact (first 8 digits) of the Aadhaar number from Aadhaar related data and documents such as proof of possession of Aadhaar, while uploading on CKYCR.

F Provision for capturing signature of multiple authorised persons is to be made by the RE.

List of two digit state / U.T codes as per Indian Motor Vehicle Act, 1988

State/U.T	Code	State / U.T	Code		Code
Andaman & Nicobar	AN	Himachal Pradesh	HP	Pondicherry	PY
Andhra Pradesh	AP	Jammu & Kashmir	JK	Punjab	PB
Arunachal Pradesh	AR	Jharkhand	JH	Rajasthan	RJ
Assam	AS	Karnataka	KA	Sikkim	SK
Bihar	BR	Kerala	KL	Tamil Nadu	TN
Chandigarh	CH	Lakshadweep	LD	Telangana	TS
Chattisgarh	CG	Madhya Pradesh	MP	Tripura	TR
Dadra and Nagar Haveli	DN	Maharashtra	MH	Uttar Pradesh	UP
Daman & Diu	DD	Manipur	MN	Uttarakhand	UA
Delhi	DL	Meghalaya	ML	West Bengal	WB
Goa	GA	Mizoram	MZ	Other	XX
Gujarat	GJ	Nagaland	NL		
Haryana	HR	Orissa	OR		

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	GO	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 Island	MH	Slovakia	SK
Australia	AU	French Guiana	GF	Martinique	MQ	Slovenia	SI
Austria	AT	French Polynesia	PF	Mauritania	MR	Solomon Island	SB
Azerbaijan	AZ	French Southern Territories	TF	Mauritius	MU	Somalia	SO
Bahamas	BS	Gabon	GA	Moyotte	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	SI
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	Nambia	NA	Syrian Arab Republic	SY
Bosnia and Herzegovina	BA	Guernsey	GG	Nauru	MZ	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	Hongkong	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	OA	Virgin Islands, British	VG
Cote d'Ivoire ICote d'Ivoire	CI	Korea, Democratic People's Republic of	KP	Reunion !Reunion	RE	Virgin Island, 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 ICuracao	CW	Kyrgyzstan	KG	Rwanda	RW	Yemen	YE
Cyprus	CY	Lao People's Democratic Republic	LA	Saint Barthelemy !Saint BartheJemy	BL	Zambia	ZM
Czech Republic	CZ	Latvia	LV	Saint Helena, Ascension and Tristan da Cunha	SH	Zimbabwe	ZW
Denmark	DK	Lebanon	LB	Saint Kittsand Nevis	KN		
Djibouti	DJ	Lesotho	LS	Saint Lucia	LC		

Annexure A2 | Legal Entity / Other than Individuals

CENTRAL KYC REGISTRY | Know Your Customer (KYC) Application Form | Related Person

Important Instructions:

A) Fields marked with '*' are mandatory fields.
B) Tick '✓' wherever applicable.
C) Please fill the date in DD-MM-YYYY format.
D) Please fill the form in English and in BLOCK letters.
E) KYC number of applicant is mandatory for update application.
F) List of State / U.T code as per Indian Motor Vehicle Act, 1988 is available at the end.
G) List of two character ISO 3166 country codes is available at the end.
H) Please read section wise detailed guidelines / instructions at the end.
I) 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 ☐ Delete
KYC Number (Mandatory for KYC update and delete request)

1. DETAILS OF RELATED PERSON* (Please refer instruction E at the end)

☐ Addition of Related Person ☐ Deletion of Related Person ☐ Update Related Person Details

KYC Number of Related Person (if available*) *If KYC number is available, only 'Related Person Type' & 'Name' is mandatory*

Related Person Type* ☐ Director ☐ Promoter ☐ Karta ☐ Trustee ☐ Partner ☐ Court Appointment Official ☐ Proprietor ☐ Beneficiary ☐ Authorised Signatory ☐ Beneficial Owner ☐ Power of Attorney Holder ☐ Other (Please specify)

DIN (Director Identification Number) *(Mandatory if Related Person Type is Director)*

1.1 PERSONAL DETAILS (Please refer instruction E at the end)

	Prefix	First Name	Middle Name	Last Name
Name* (Same as ID proof)				
Maiden Name				
Father / Spouse Name				
Mother Name				

Date of Birth* D D – M M – Y Y Y Y

Gender* ☐ M- Male ☐ F- Female ☐ T-Transgender

Nationality* ☐ IN- Indian ☐ Others (ISO 3166 Country Code ☐☐)

PAN* ☐ Form 60 furnished

1.2 PROOF OF IDENTITY AND ADDRESS* (Please refer instruction E at the end)

I Certified copy of OVD or equivalent e-document of OVD or OVD obtained through digital KYC process needs to be submitted (anyone of the following OVDs)

- ☐ A- Passport Number
- ☐ B-Voter ID Card
- ☐ C- Driving Licence
- ☐ D-NREGA Job Card
- ☐ E- National Population Register Letter
- ☐ F - Proof of Possession of Aadhaar

II ☐ E-KYC Authentication

III ☐ Offline verification of Aadhaar

☐ PHOTO*

Address

Line 1*
Line 2
Line 3 City / Town / Village*
District* Pin / Post Code* State / U.T Code* ISO 3166 Country Code*

☐ 1.3. CURRENT ADDRESS DETAILS (Please refer instruction E and the end)

☐ Same as above mentioned address (In such cases address details as below need not be provided)

I Certified copy of OVD or equivalent e-document of OVD or OVD obtained through digital KYC process needs to be submitted (anyone of the following OVDs)

- ☐ A- Passport Number
- ☐ B-Voter ID Card
- ☐ C- Driving Licence
- ☐ D-NREGA Job Card
- ☐ E- National Population Register Letter
- ☐ F - Proof of Possession of Aadhaar

II ☐ E-KYC Authentication

II ☐ Offline verification of Aadhaar

IV ☐ Deemed PoA

V ☐ Self Declaration

Address

Line 1*

Line 2

Line 3 City / Town / Village*

District* Pin / Post Code* State / U.T Code* ISO 3166 Country Code*

1. 4 CONTACT DETAILS (All communication will be sent on provided mobile no. / Email-ID) (Please refer instruction **D** at the end)

Tel. (Off) – Tel. (Res) – Mobile –

Email ID

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.
- I/we hereby consent to receiving information from Central KYC Registry through SMS/Email on the above registered number/email address.

Date : D D – M M – Y Y Y Y Place:

Signature /Thumb Impression of Applicant

3. ATTESTATION / FOR OFFICE USE ONLY

Documents Received ☐ Certified Copies ☐ E-KYC data received from UIDAI ☐ Data received from Offline verification ☐ Digital KYC process ☐ Equivalent e-document

KYC VERIFICATION CARRIED OUT BY

Date D D – M M – Y Y Y Y

Emp. Name

Emp. Code

Emp. Designation

Emp. Branch

Employee Signature]

INSTITUTION DETAILS

Name

Code

[Institution Stamp]

- I/we hereby consent to receiving information from Central KYC Registry through SMS/Email on the above registered number/email address.

Date : D D – M M – Y Y Y Y Place:

Signature /Thumb Impression of Applicant

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
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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 predetermined 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.

Annexure - 3 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.

        d. 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

e. 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. The Member 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, interalia, 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 to the stock broker. The client shall communicate to the stock broker 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 periodunder 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.

LAW AND JURISDICTION

48. 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.

49. 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.

50. 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.

51. 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.

52. 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.

53. 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.

54. Members are required to send account statement to their clients every week.

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.

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.

II.Contract Note Format

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, TELEPHONENO, FAXNO

CONTRACT NOTE NO.			**Name of Exchange**		**Name of Exchange**	**Name of Exchange**
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 & Segment	**Name of Exchange & Segment**	**Name of Exchange & Segment**	**Name of Exchange & Segment**
*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)	Closing Rate per Unit (only for Derivatives) (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 brought forward											
Trade 1											
Trade 2											
Trade N											

		Name of Exchange	Name of Exchange	Name of Exchange	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								
s***CGST	Rate							
	Amount (Rs.)							
***SGST	Rate							
	Amount (Rs.)							
***IGST	Rate							
	Amount (Rs.)							
***UTT	Rate							
	Amount (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 (RAC) are available on the respective Exchange's Website (www.mcxindia.com for MCX, www.ncdex.com for NCDEX). 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

III.Nomination Form

[Annexure A to SEBI circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/23 dated February 24, 2022 on Nomination for Eligible Trading and Demat Accounts – Extension of timelines and relaxations for existing account holders]

TM / DP **Name and Address**			**FORM FOR NOMINATION** **(***To be filled in by individual applying singly or jointly***)**		
Date	D D M M Y Y		Y Y **UCC/ DP ID**	I N	**Client ID**
I/We wish to make a nomination. [*As per details given below*]					
Nomination Details					
I/We wish to make a nomination and do hereby nominate the following person(s) who shall receive all the assets held in my / our account in the event of my / our death.					
Nomination can be made upto three nominees in the account.			**Details of 1st Nominee**	**Details of 2nd Nominee**	**Details of 3rd Nominee**
1	**Name of the nominee(s) (Mr./Ms.)**				
2	**Share of each Nominee**	Equally [If not equally, please specify percentage]	**%**	**%**	**%**
			Any odd lot after division shall be transferred to the first nominee mentioned in the form.		
3	**Relationship With the Applicant (If Any)**				
4	**Address of Nominee(s)** City / Place: State & Country:				
		PIN Code			
5	**Mobile / Telephone No. of nominee(s) #**				
6	**Email ID of nominee(s) #**				
7	**Nominee Identification details # [**Please tick any one of following and provide details of same] □ Photograph & Signature PAN				

	□ Aadhaar Saving Bank account no. Demat Account ID			
Sr. Nos. 8-14 should be filled only if nominee(s) is a minor:				
8	**Date of Birth {in case of minor nominee(s)}**			
9	**Name of Guardian (Mr./Ms.) {in case of minor nominee(s) }**			
10	**Address of Guardian(s)**			

	City / Place: State & Country:							
		PIN Code						
11	**Mobile / Telephone no. of Guardian #**							
12	**Email ID of Guardian #**							
13	**Relationship of Guardian with nominee**							
14	**Guardian Identification details #** [Please tick any one of following and provide details of same] □ Photograph & Signature □ PAN Aadhaar Saving Bank account no. Proof of Identity □ Demat Account ID							
		Name(s) of ho			**lder(s)**		**Signature(s) of holder***	
Sole / First Holder (Mr./Ms.)								
Second Holder (Mr./Ms.)								

Third Holder (Mr./Ms.)		

*** Signature of witness, along with name and address are required, if the account holder affixes thumb impression, instead of signature.**

 # Optional Fields (Information required at Serial nos. 5, 6, 7, 11, 12 & 14 is not mandatory)

Note:

This nomination shall supersede any prior nomination made by the account holder(s), if any.

The Trading Member / Depository Participant shall provide acknowledgement of the nomination form to the account holder(s)

	Name and Signature of Holder(s)*
1.	
_____	**2.** **3_____**

***** Signature of witness, along with name and address are required, if the account holder affixes thumb impression, instead of signature

IV.Declaration Form for opting out of nomination

[Annexure B to SEBI circular No. SEBI/HO/MIRSD/RTAMB/CIR/P/2021/601 dated July 23, 2021 on Mandatory Nomination for Eligible Trading and Demat Accounts]

To Trading Member/Participant's Name Trading Member/Participant's Address	Date	D	D	M	M	Y	Y	Y	Y
UCC/DP ID	I	N							
Client ID (only for Demat account)									
Sole/First Holder Name									
Second Holder Name									
Third Holder Name									
I / We hereby confirm that I / We do not wish to appoint any nominee(s) in my / our trading / demat account and understand the issues involved in non-appointment of nominee(s) and further are aware that in case of death of all the account holder(s), my / our legal heirs would need to submit all the requisite documents / information for claiming of assets held in my / our trading / demat account, which may also include documents issued by Court or other such competent authority, based on the value of assets held in the trading / demat account.									
Name and Signature of Holder(s)* **1.** _____ _____ **2.** **3**_____									

*Signature of witness, along with name and address are required, if the account holder affixes thumb impression, instead of signature

V. Demat Debit and Pledge Instruction

S. No.	Purpose	Signature of Client *
1.	Transfer of securities held in the beneficial owner accounts of the client towards Stock Exchange related deliveries / settlement obligations arising out of trades executed by clients on the Stock Exchange through the same stock broker	
2.	Pledging / re-pledging of securities in favour of trading member (TM) / clearing member (CM) for the purpose of meeting margin requirements of the clients in connection with the trades executed by the clients on the Stock Exchange.	
3	Mutual Fund transactions being executed on Stock Exchange order entry platforms	
4	Tendering shares in open offers through Stock Exchange platforms	

*The same may be signed physically against each purpose of DDPI. The same may also be eSigned.

In case of eSign, client shall be given an option for choosing the specific purpose(s) of DDPI.

VI. Information regarding Grievance Redressal Mechanism:

FOR STOCK BROKERS / DEPOSITORY PARTICIPANTS

Dear Investor,

In case of any grievance / complaint against the Stock Broker / Depository Participant:

- Please contact Compliance Officer of the Stock Broker/ Depository Participant (Name) /

  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 Stock Broker/ Depository Participant, you may
  contact the concerned Stock Exchange / Depository at the following –

	Web Address	**Contact No**	**Email-id**
MCX	www.mcxindia.com	022-6731-8888	grievance@mcxindia.com
	Web Address	**Contact No**	**Email-id**
CDSL	www.cdslindia.com	xxxxxxx	xxx@cdslindia.com
NSDL	www.nsdl.co.in	xxxxxxx	xxx@nsdl.co.in

- 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.

VII. Format of Cash & Cash Equivalent Balances:

TRADING MEMBER PAN	DATE	UNIQUE CLIENT CODE	CLIENT PAN	CLIENT NAME	MTF/ NON MTF INDICATOR	FINANCIAL LEDGER BALANCE-A	FINANCIAL LEDGER BALANCE (CLEAR)-B	PEAK FINANCIAL LEDGER BALANCE (CLEAR)-C	FINANCIAL LEDGER BALANCE- MCX	FINANCIAL LEDGER BALANCE- NCDEX	FINANCIAL LEDGER BALANCE- ICEX
					MTF						
					NON MTF						

BANK GUARANTEE (BG)	FIXED DEPOSIT RECEIPT (FDR)	GOVERNMENT OF INDIA SECURITIES (GSEC)	GILT FUNDS	CREDIT ENTRY IN LEDGER IN LIEU OF EPI	POOL ACCOUNT	UNCLEARED CHEQUES	VALUE OF COMMODITIES	CASH COLLATERAL FOR MTF POSITIONS	UNCLAIMED/UNSETTLED CLIENT FUNDS	CLIENT BANK ACCOUNT NO.	LAST SETTLEMENT DATE	INTERIM ACCOUNTS TYPE	VALUE

VIII. Indicative Format For Retention Statement

(A) Total value of clients Funds available prior to settlement

Particulars	Amount (Rs.)	Amount (Rs.)
Unencumbered balance in client ledger *(after reversing value of unsettled bills if any in case of trade day billing and margin amount if debited in client ledger)*	**xxxx**	
Unencumbered balance in margin ledgers	**xxxx**	
Total Funds available (a)		**XXXX**

(B) Value of securities pledged/ repledged and value of commodities.

Particulars	Amount (Rs.)
Value of securities (after applying appropriate haircut) accepted as collateral from the clients by way of 'margin pledge'	**xxxx**
Value of commodities (after applying appropriate haircut)	**xxxx**
Total value of securities pledged/ repledged and commodities (b)	**XXXX**

(C) Explanation regarding Retention of Funds

Particulars	CM Segment	FO Segment	CD Segment	Other Segments	Amount (Rs.)
Funds Pay in obligation (c)	**XXXX**	**XXXX**	**XXXX**		**XXXX**
50% of end of the day (EOD) margin Liability (e)	**XXXX**	**XXXX**	**XXXX**		**XXXX**
225% of T Day Margin Liability (d)	**XXXX**	**XXXX**	**XXXX**		**XXXX**
225% of T Day Margin Liability in all segments across Exchanges (after reducing 50% of EOD margin and the value of securities accepted as collateral from					**XXXX**

the clients by way of 'margin pledge' and value of commodities) (g=f-e-b)					
Maximum Funds that can be retained (h=c+d+e+g)	**XXXX**	**XXXX**	**XXXX**	**XXXX**	**XXXX**

(D) Retention of Funds

Value of Funds received from client – retained	**xxxxx**
Total Retention	**xxxxx**
Total Funds released	**xxxxx**

(F) Amount not required to be returned

Value of BG's received from client - not required to be returned (With detail's of each BG)	**xxxx**
Value of FD's received from client - not required to be returned (With Details of each FD)	**xxxx**

IX. Format with respect to maintenance of Bank Book

Unique File Name	Bank Book
File format	CSV format

Members have to maintain Bank Book considering following validation points:

Header Record:

Field Name	Structure
Member Name	• Alphanumeric
Period	• First Date to Last Date (Format: DD-MM-YYYY to DD-MM-YYYY)
Account Name and Number	• Bank Name and Account Number
Account Type and Exchange:	• Account Type shall be either of Client/Settlement/Own

Detail Record:

Sr No.	Field Name	Length (Max)	Description
1.	Date	• Char (10)	• Format: DD-MM-YYYY
2.	Value Date	• Char (10)	• Format: DD-MM-YYYY
3.	Account Name	• Char (100)	• Alphanumeric Account name
4.	Bank Account No.	• Char (30)	• Alphanumeric Bank account number
5.	Unique Client Code(UCC)	• Char (20)	• Alphanumeric client code
6.	Back Office Client Code	• Char (20)	• Alphanumeric client code
7.	Client PAN	• Char (10)	• Alphanumeric client PAN
8.	Narration	• Char (50)	• Alphanumeric narration
9.	Voucher No.	• Char (20)	• Alphanumeric voucher No.
10.	Settlement No.	• Char (20)	• Alphanumeric settlement No.
11.	Reference Number (Chq No/RTGS Ref No./NEFT Ref No./ Any payment gateway Ref No./ Internal	• Char (30)	• Alphanumeric Reference number

Sr No.	Field Name	Length (Max)	Description
	Reference No.)		
12.	Payment (Rs.)	• Number (20)	• Amount in Numeric form • Decimals shall be allowed upto 2 digits
13.	Receipt (Rs.)	• Number (20)	• Amount in Numeric form • Decimals shall be allowed upto 2 digits
14.	Balance (Rs.)	• Number (20)	• Amount in Numeric form • Decimals shall be allowed upto 2 digits
15.	Purpose	• Char (25)	• Value shall be any of the following: Payin Payout Receipt-Client Payment-Client Settlement-Payment Charges-Recovery Own-A/c Third-Party Margin-Payment Margin-Release FDR-Created FDR-Released Cheque-Reversal Inter-Client-Bank Auction-close-out Opening-Balance Closing-Balance Journal Entry Contra Voucher • Others (Please specify the transaction type if it isnot falling in any one of the above)

X. Format with respect to maintenance of Client Ledger

File Name	Client Ledger
File format	CSV format

Members have to maintain Client Ledger considering following validation points:

Header Record:

Field Name	Structure
Member Name	• Alphanumeric
Period	• First Date to Last Date (Format: DD-MM-YYYY to DD-MM-YYYY)

Detail Record:

Sr No.	Field Name	Length (Max)	Description
1.	Unique Client Code (UCC)	• Char (20)	• Alphanumeric client code
2.	Back Office Client Code	• Char (20)	• Alphanumeric client code
3.	Client Name	• Char (100)	• Alphanumeric Client Name
4.	Client PAN	• Char (10)	• Alphanumeric Client PAN
5.	Date	• Char (10)	• Format: DD-MM-YYYY
6.	Settlement Date	• Char (10)	• Format: DD-MM-YYYY
7.	Exchange	• Char (5)	• Value shall be any of the following: MCX NCDEX NSE BSE MSE
8.	Segment Type	• Char (4)	• Value shall be any of the following: COM CM FO CDS
9.	Settlement No.	• Char (20)	• Alphanumeric settlement No.
10.	Bill/Chq No.	• Char (20)	• Alphanumeric Bill/Chq No.
11.	Transaction Type	• Char (20)	• Value shall be any of the following: Receipt

Sr No.	Field Name	Length (Max)	Description
			Payment Settlement-Payment JV MarginBill Dr NoteCr Note • Others (Please specify the transaction type if it is not falling in any one of the above)
12.	Particulars / Narration	• Char (50)	• Alphanumeric narration
13.	Voucher No.	• Char (20)	• Alphanumeric voucher No.
14.	Debit (Rs.)	• Number (20)	• Amount in Numeric form. • Decimals shall be allowed upto 2 digits
15.	Credit (Rs.)	• Number (20)	• Amount in Numeric form. • Decimals shall be allowed upto 2 digits
16.	Balance (Rs.)	• Number (20)	• Amount in Numeric form. • Decimals shall be allowed upto 2 digits

XI. Formats for various submission

Submission Name	Relevant Circular
Cash and Cash Equivalent	MCX/INSP/769/2021 dated December 14, 2021
Holding	MCX/INSP/032/2021 dated January 15, 2021
Bank Balance	MCX/INSP/085/2020 dated February 10, 2020 and MCX/INSP/376/2020 dated May 28, 2020
Actual Settlement	MCX/INSP/749/2022 dated December 29, 2022
Monitoring of Client funds	MCX/INSP/676/2021 dated October 22, 2021