

2023



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ITEM 1 - CLIENT REGISTRATION

1.1 Account Opening Process

The stock broker shall 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.

SEBI has devised the uniform documentation to be followed by all the stock brokers / trading members. The client account opening Form in two parts:

The folder/ book shall have two parts: (a) Mandatory and (b) non-mandatory

(a) Mandatory Documents

1. Client Account Opening Form in two parts:

- a. Know Your Client (KYC) form capturing the basic information about the client and instruction/check list to fill up the form
- b. Document capturing additional information about the client related to trading account

The client will now be required to sign only on one document i.e., Account Opening Form. Further, in the same form, the client shall continue to put his signatures instead of saying „yes“ or „tick mark“ while indicating preferences for trading in different exchanges / segments, in accordance with existing requirements. However, in case the investor wants to avail Running Account facility, execute Power of Attorney, etc., he would have to give specific authorization to the stock broker in order to avoid any dispute in the future.

Aadhaar Letter issued by UIDAI shall be admissible as Proof of Address in addition to its presently being recognized as Proof of Identity.

In consultation with Unique Identification Authority of India (UIDAI) and the market participants, e-KYC service launched by UIDAI can also be accepted 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 shall be treated as sufficient proof of Identity and Address of the client. However, the client shall have to authorize the intermediary to access his data through UIDAI system.

SEBI vide circular dated October 8, 2013 and Exchange Notice No. 20160125-19 dated January 25, 2016 enabled Aadhaar based e-KYC service offered by UIDAI for KYC verification. Intermediaries have sought clarifications from SEBI on certain operational aspects of the same. It is clarified that for accessing the details enabling client identification and authentication from UIDAI based on client authorization, on

voluntary basis, intermediaries who utilize the services of KYC Service Agencies (KSAs) would be registered as KYC User Agencies (KUA) with UIDAI.

1. For entering into account-based relationship, the client may provide the following information to the intermediary:

I Name

II Aadhaar number

III Permanent Account Number (PAN)

2. The above information can be provided by the client electronically including through any web enabled device.

3. The intermediary shall perform verification of the client with UIDAI through biometric authentication (fingerprint or iris scanning). Mutual Funds can also perform verification of the client with UIDAI through One Time password (OTP) received on client's mobile number or on e-mail address registered with UIDAI provided, the amount invested by the client does not exceed Rs. 50,000 per financial year per Mutual Fund and payment for the same is made through electronic transfer from the client's bank account registered with that Mutual Fund.

4. PAN of such client is to be verified from the income tax website.

5. After due validation of Aadhaar number provided by the client, the intermediary (acting as KUA) shall receive the KYC information about the client from UIDAI through KSA.

6. The information downloaded from UIDAI shall be considered as sufficient information for the purpose of KYC verification. The intermediary shall upload this KYC information on the KRA system in terms of KRA Regulations.

7. In case material difference is observed either in the name (as observed in the PAN vis-a-vis Aadhaar) or photograph in Aadhaar is not clear, the intermediary shall carry out addition due diligence and maintain a record of the additional documents sought pursuant to such due diligence.

8. The records of KYC information so received shall be maintained by the intermediary as per the SEBI Act, Regulations and various circulars issued thereunder

The Stock Broker 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.

SEBI, in consultation with various market participants, decided to shift certain information contained in Section C of Part I to Part II of the Account Opening Form (AOF) (for both individuals and non-individuals). Revised Part I of AOF was published with directions to intermediaries to modify Part II accordingly.

Information as contained in revised Part I of AOF shall only be required to be captured in the systems of KRAs. However, in view of existing pre-printed forms available with the intermediaries, a time period of six months, effective from the date of the circular, is provided to bring about the aforementioned modifications in the KYC form. Refer to SEBI circular No. CIR/MIRSD/ 13 /2013 dated December 26, 2013.

The above modifications would assist in avoiding repeated modifications in the KRA system as information provided by the clients in Section C changes over a period of time and will facilitate in making the KYC uniform for the entire financial sector.

2. Document stating the Rights & Obligations of stock broker, sub-broker and client for trading on exchanges (including additional rights & obligations in case of internet / wireless technology based trading)

SEBI with a view to simplify and rationalize the account opening process, had reviewed, consolidated, and updated all the documents/requirements prescribed in respect of account opening process over the years. The simplification includes replacement of all client-broker agreements with the “Rights and Obligations” document, which shall be mandatory and binding on the existing and new stock brokers (including trading members) and clients.

3. Uniform Risk Disclosure Documents (for all segments / exchanges)

4. Guidance Note detailing Do’s and Don’ts for trading on exchanges

5. Policies and Procedures

Document describing significant policies and procedures of the stock broker

There shall be a mandatory document dealing with policies and procedures for the following:

1. Refusal of orders for penny stocks. (Illiquid securities may be considered while defining pennystocks by TM)
2. Setting up client’s exposure limits
3. Applicable brokerage rate
4. Imposition of penalty / delayed payment charges by either party specifying the rate & the period. The same should not result in funding
5. The right to sell client’s securities or close client’s position without giving notice to the clients on

account of non-payment of client's dues limited to the extent of settlement / margin obligation.

6. Internal Shortage

7. Conditions under which a client may not be allowed to take further position or the broker may close the existing position

8. Temporarily suspending or closing a client's account at the client's request, and Deregistering a client

6. Tariff Sheet – Document detailing the rate/amount of brokerage and other charges levied on the client for trading on the stock exchange(s)

Members are required to update demographic details of a clients including their addresses. The framework as applicable to the trading members is given in the Exchange Notice no. 20220830-56 dated 30 Aug 2022.)

SARAL Account Opening Form: -

Majority of new investors in the securities market begin with participation in the cash segment without obtaining various other facilities such as internet trading, margin trading, derivative trading and use of power of attorney. The account opening process has been simplified for such individual investors. With a view to encourage their participation, it is, therefore, decided that such individual investors can open a trading account and demat account by filling up a simplified Account Opening Form ('AOF') termed as 'SARAL AOF'. Refer Exchange Notice No. 20150305-3 dated March 05, 2015.

Accessing Securities Market by Visually Challenged Investors: -

Trading members are advised that there shall not be any restrictions for visually challenged person in getting registered as a client for trading/investing in the securities market including online facilities to the visually challenged persons without any discrimination. Trading members are requested to render all possible assistance to the visually challenged persons for registering as clients. Refer to Exchange Notice No. 20150512-9 dated May 12, 2015.

(b) Non-mandatory Documents

It may be noted that any voluntary clause / document added by the stock brokers shall form part of the non-mandatory documents. The stock broker shall ensure that any voluntary clause/document shall neither dilute the responsibility of the stock broker nor it shall be in conflict with any of the clauses in the mandatory documents, Rules, Bye-laws, Regulations, Notices, Guidelines and Circulars issued by SEBI and the stock exchanges 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, 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. Moreover, the trading member may also seek additional information to satisfy himself about the antecedents of the client.

Trading members 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) All the documents in both the mandatory and the non-mandatory parts shall be printed in minimum font size of 11.
- (3) Additional documents shall state at the beginning in bold that the document is voluntary.
- (4) 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.
- (5) 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.
- (6) The docket or folder containing draft mandatory documents for signing and the checklist containing mandatory documents shall not include draft voluntary documents, if any.
- (7) No term in the client registration documents, other than those prescribed by SEBI, shall be changed without the consent of the client. Such change needs to be preceded by a notice of 15 days.
- (8) 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.
- (9) The stock broker shall have documentary evidence of financial details provided by the clients who opt to deal in the derivative segment. In respect of other clients, the stock broker shall obtain the documents in accordance with its risk management system.

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

- (10) 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
- (11) No documentation shall give any exclusive right or control to the trading member or third party over the DP 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.
- (12) 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.
- (13) 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.
- (14) It has been decided that while a stock broker may use the brand name / logo of its group companies, it must display more prominently: (a) its name as registered with SEBI, its own logo, if any, its registration number, and its complete address with telephone numbers on account opening documents;
- (15) SEBI has clarified that the KYC (Account Opening Process) are applicable for all the clients of stock brokers/depository participants, without any exemption to any category of clients like institutions or FPIs/ EFEs.

Acceptance of e-PAN card for KYC purpose

Central Board of Direct Taxes (CBDT) has recently introduced a facility of E-PAN (electronic PAN card) vide press release dated April 11, 2017. Accordingly, it is clarified that E-PAN issued by CBDT can also be produced by FPI for KYC compliance. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market. Refer SEBI has issued circular- SEBI/HO/FIIC/CIR/P/2017/068 dated June 30, 2017 and Exchange Notice No. 20170703-8 dated July 03, 2017.

Aadhar seeding with PAN: - Trading Members are requested to guide their clients to get their PAN mapped with Aadhar before June 30, 2023 and update the status in Exchange record. Reference Notice no. 20230328-77 dated 28 Mar 2023, subject Aadhar seeding with PAN. Accordingly, all Members are advised to ensure that their existing and new clients comply with the requirement of linking the Aadhar with PAN by March 31, 2023.

1.2 In-person verification (IPV)

SEBI vide letter no. MIRSD/DPS-III/130466/2008 dated 2nd July 2008 has emphasized that it shall be the responsibility of the stock broker to satisfactorily identify his clients and to ensure in-person verification by his own staff while registering clients and keep complete audit trail for the same. SEBI has also mentioned that it would be stock brokers' responsibility to provide client details as and when required.

Accordingly, members are required to ensure "in-person" verification by their own staff only while registering the clients. Name and signature of the official who has done in-person verification and the stamp of the member should be incorporated in the client registration form.

With regard to the requirement of "in-person" verification (IPV), SEBI has issued guidelines to the stock brokers and depository participants (DPs). However, in line with the uniformity brought out in the KYC procedure across intermediaries, the IPV requirements for all the intermediaries have now been streamlined and harmonized, as follows:

- i. It shall be mandatory for all the intermediaries addressed in the SEBI Circular No MIRSD/Cir- 26 /2011 dated December 23, 2011 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, their sub-brokers or 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.
- 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.

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/sub-broker'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 stock brokers, may rely upon the "in-person" verification done by their sub-brokers (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.

1.3 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 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 must 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 need not undergo the same process again with another intermediary. Accordingly, SEBI has formulated the KYC Registration Agency (KRA) Regulations 2011.

SEBI has notified M/s. CDSL Ventures Ltd. (CVL), M/s. NSDL Database Management Limited (NDML) and M/s. Dotex International Limited (a wholly owned subsidiary of National Stock Exchange of India Limited), CAMS Investor Services Private Limited and Karvy Data Management Services Limited to act as the KYC Registration Agency (KRA).

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

- i. 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.
- ii. 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.
- iii. For existing clients, the KYC data may be uploaded by the intermediary provided they are in conformity with details sought in the uniform KYC form prescribed vide SEBI circular no. MIRSD/SE/Cir- 21/2011 dated October 05, 2011. While uploading these clients' data the intermediary shall ensure that there is no duplication of data in the KRA system.
- iv. The intermediary shall carry out KYC when the client chooses to trade/ invest / deal through it.
- v. The intermediaries shall maintain electronic records of KYCs of clients and keeping physical records would not be necessary.
- vi. The intermediary shall promptly provide KYC related information to KRA, as and when required.
- vii. 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 current KRA system, in a phased manner.

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

i) For existing clients who trade / invest / deal with the intermediary anytime during the time period specified in the table given below starting from April 16, 2012, the intermediaries shall forthwith upload their KYC details in the KRA system. They shall also send original KYC documents to the KRA on continuous basis and complete the process within the prescribed time limits.

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 above-mentioned schedule, shall be uploaded on a continuous basis.

ii) 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.

iii) The intermediary shall highlight the KYC details about the existing client which is missing / not available, as per the KYC requirements specified vide circular dated October 5, 2011, 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.

iv) 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.

1.4 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. 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 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.
- 6 It is clarified that the Trading members having their own website shall display the set of standard documents on the website for information.

1.5 Allotment of Unique Client code (UCC) And Modification of Client Code

Trading members are requested to refer Exchange notice no. 20210416-43 dated April 16, 2021, and 20210517-38 dated May 17, 2021, regarding file formats/ batch upload facility.

All trading members are strictly required to ensure that new client details with all mandatory fields are updated and approved in the Unique Client Code system of the Exchange. Further trading members are required to ensure that client details in UCC system of the Exchange for new and existing clients should be complete and correct.

"Members are required to send the identity and address proof of all the newly onboarded clients (irrespective of whether PAN has been submitted by account holder or not) to the Exchange, where the correspondence or permanent address of the client is 'Sikkim'. The aforesaid documents should be sent via email on bse.reports@bseindia.com. In case of any deviations observed by the Exchange during the

scrutiny of records, the same shall be informed to the trading member for necessary corrective actions. However, in absence of corrective action by the trading member within 10 days from the date of intimation of the discrepancy, then trading member shall mark such account as closed with immediate effect and discrepant UCCs shall be considered as non-compliant and not permitted to trade. (Reference no. 20220808-12 dated 08 Aug 2022.)

REGULATORY REQUIREMENTS/REFERENCES:

1	Account Opening Process	SEBI circular CIR/MIRSD/16/2011 dated August 22, 2011 along with Annexures 1 to 6; Exchange Notice no. 20110823-4 dated August 23, 2011; SEBI circular CIR/MIRSD/09/2012 dated August 13, 2012; Exchange Notice no. 20120814-2 dated August 14, 2012; SEBI circular CIR/MIRSD/11/2012 dated September 05, 2012; Exchange Notice no. 20120905-20 dated September 5, 2012; SEBI circular CIR/MIRSD/01/2013 dated January 04, 2013; Exchange Notice no. 20130108-3 dated January 08, 2013; SEBI circular CIR/MIRSD/07/2013 dated September 12, 2013; Exchange Notice no. 20130913-20 dated September 13, 2013; SEBI circular CIR/MIRSD/ 09/ 2013 dated October 8, 2013; Exchange Notice no. 20131009-4 dated October 9, 2013; SEBI circular CIR/MIRSD/13/2013 dated December 26, 2013; Exchange Notice no. 20131227-3 dated December 27, 2013; Exchange Notice no. 20151005-9 dated October 5, 2015; SEBI/HO/FIIC/CIR/P/2017/068 dated June 30, 2017 and Exchange Notice No. 20170703-8 dated July 03,2017.
2	In-person verification (IPV)	Exchange Notice Nos. 20080707-3 dated July 07, 2008, SEBI circular CIR/MIRSD/16/2011 dated August 22, 2011 along with Annexures 1 to 6;Exchange Notice Nos. 20110823-4 dated August 23, 2011, SEBI Circular No MIRSD/Cir- 26 /2011dated December 23, 2011, Exchange Notice Nos.20111226-17 dated December 26, 2011,
3	Uploading KYC information with KYC Registration Agency (KRA)	(SEBI Circular No. MIRSD/Cir-23/2011 dated December 5, 2011, Exchange Notice No 20111208-1 dated December 08, 2011, SEBI Circular No MIRSD/Cir- 26 /2011dated December 23, 2011 Exchange Notice No. 20111226-17 dated December 26, 2011, SEBI circular MIRSD/ Cir-5 /2012 dated April 13, 2012; Exchange Notice No. Notice no. 20120416-3 dated April 16, 2012, SEBI notification no LAD-NRO/GN/2012- 13/35/6998 dated March 22, 2013; SEBI circular CIR/MIRSD/4/2013 dated March 28, 2013 Exchange Notice No.

		20130401-20 dated April 01, 2013)
4	Delivery of copy of duly completed Client registration forms	SEBI circular MIRSD/ SE /Cir-19/2009 dated 3rd December, 2009, Exchange Notice No. 20091204-7 dated December 04, 2009 Exchange Notice No. 20080624-8 dated June 24, 2008
5	Allotment of Unique Client code (UCC) And Modification of Client Code	<p>(SEBI circular no. SMDRP/Policy/CIR-39/2001 dated July 18, 2001, SEBI vide Regulation no. LAD-NRO/GN/2013-14/12 notified on January 7, 2014, SEBI circular no. CIR/IMD/FIIC/6/2014 dated March 28, 2014, SEBI letter no. ISD/SP/11595/2012 dated May 23, 2012, SEBI Circular CIR/DNPD/6/2011 dated July 5, 2011, SEBI circular no. CIR/MRD/DP/29/2014 dated October 21, 2014)</p> <p>(Exchange Notice No.93424/2001 dated July 23, 2001, No. 20040128-3 dated January 28, 2004, No.20060927-21 dated September 27, 2006 and No.20060928-17 dated September 28, 2006, 20121026-7 dated October 26, 2012, 20131127-12 dated Nov 27, 2013, 20130322-24 March 22,2013, 20130719-3 July 19, 2013, 20130913-19 dated September 13, 2013, 20131203-20 dated December 3, 2013, 20131001-31 dated October 1, 2013, 20140403-8 dated April 3, 2014, 20140516-17 dated May 16, 2014, . 20140529-12 dated May 29, 2014, 20120529-16 dated May 29, 2012, 20120601-15 dated June 1, 2012, 20111214-4 dated December 14, 2011, 20120601-15 dated June 1, 2012, 20110706-1 July 6, 2011, 20110826-4 dated August 26, 2011,20111214-4 dated December 14, 2011, 20141021-15 dated October 21, 2014, 20131127-12 dated November 27, 2013)</p>
6	Execution of Power of Attorney (POA) by clients in favor of stock broker / stock brokers	Exchange Notice 20200828-3 regarding Execution of Power of Attorney (PoA) by the Client in favour of the StockBroker / Stock Broker and Depository Participant
7	Guidelines on Identification of Beneficial Ownership	SEBI circular No. CIR/MIRSD/2/2013 dated January 24, 2013; Exchange Notice No. 20130125-10 dated January 25, 2013

Corporate Identity Number (CIN) for Bodies Corporate:

Members are mandatorily required to upload Corporate Identity Number (CIN) of bodies corporate acting as clients in the UCC database of the Exchange. Refer to SEBI letter no. ISD/SP/11595/2012 dated May 23, 2012 and Exchange notice no. 20120529-16 dated May 29, 2012 and 20120601-15 dated June 1, 2012.

In this regard Exchange has introduced two new fields for updating CIN details in the UCC database (both manual registration as well as batch upload) –

- If member selects the category “Company (CO)” irrespective of the Status viz. OWN, CLIENT and INSTITUTION, the “CIN” field will become mandatory.
- If members select the category other than “Company (CO)” irrespective of the Status viz. OWN, CLIENT and INSTITUTION, the member needs to check (v) against the question “Whether a CorporateBody with CIN?”. On clicking the check box (v) the CIN field will become mandatory else it will be non-mandatory.

The field “Whether a Corporate Body with CIN?” is by default non mandatory in case of manual entry and is required to be filled mandatorily in case of batch upload.

Further, Member are also advised to ensure that correct and complete details including correct pin codes of the clients is mentioned in the UCC database of the Exchange. (Refer Exchange Notice No. 20111214-4 dated December 14, 2011)

CP Code Details:

To facilitate the online give-up/ take-up process of institutional trades by trading members to clearing members, in the F&O segment, the Exchange is introducing 4 new fields in the Webex UCC system (both manual registration as well as batch upload) -

- FNO CP Code - CP Code of institutional client for F&O segment
- FNO CMID - Member ID of Clearing Member associated with that CP Code, who would clear the trades of that client in F&O segment
- EQ CP Code - CP Code of institutional client for Equity segment (This field is provisional, meant for future use)
- EQ CMID - Member ID of Clearing Member associated with that CP Code, who would clear the trades of that client in Equity segment (This field is provisional, meant for future use)

Trading members are requested to provide these details for their institutional clients, whom they have registered in the Webex UCC system, however the same is optional for non-institutional clients. Although

these fields are non-mandatory, members are requested to provide these details to facilitate the auto give-up/ take-up process of institutional trades in the RTRMS system. Details of the auto give-up/take-up process of institutional trades shall be provided via a separate circular in due course of time. (Refer to Exchange Notice No. 20120601-15 dated June 1, 2012)

A special facility is provided to the members for modification of client codes of executed trades using RTRMS. This modification can only be done till the post-closing session up to 4.00 p.m. and for Currency Derivatives segment client code modification are allowed up to 5.30 p.m. on the same day when the trade is executed.

Members are required to ensure that the Client type is entered correctly at the time of placing the orders on the trading system and in case non-institutional trades are erroneously entered as institutional trades, the same should be rectified during the post-closing session.

Modifications of client codes of non-institutional trades may be allowed only to rectify a genuine error in entry of client code at the time of placing / modifying the related order. Refer to SEBI Circular CIR/DNPD/6/2011 dated July 5, 2011 and Exchange Notice No. 20110706-1 July 6, 2011, 20110826-4 dated August 26, 2011 and 20111214-4 dated December 14, 2011.

Accordingly, the objective criteria for identifying genuine errors for client code modification of non-institutional trades are as given below:

- i. Error due to communication and/or punching or typing such that the original client's code/name and the modified client code/name are similar to each other.
- ii. Modification within relatives (Relative for this purpose would mean 'Relative' as defined under sec. 6 the Companies Act, 1956).

The members are required to inform the Exchange (through BEFS) by 12 Noon on T+1 day, the reasons for modification of client codes of non-institutional trades based on the objective criteria. The member has to select any one of the mentioned objective criteria for each of the modified trade.

Refer to Exchange Notice No. 20140625-15 dated June 25, 2014.

The guidelines for the implementation of the above SEBI circular is given below:

- Members are strictly advised to modify client codes of non-institutional trades only to rectify genuine error in entry of client code at the time of placing / modifying the related order. All cases of modification of client codes of non-institutional trades executed on the Exchange and not transferred to broker error account, shall be liable for a penalty of 1% of value of non-institutional trades modified if value of non-institutional trades modified as a percentage of total value of non-institutional trades executed is less than or equal to 5% and penalty of 2% if modification exceeds 5%, in a segment during a month.
- Members are required to inform the Exchange (through BEFS), on a daily basis by end of day, the reasons for modification of client codes of non-institutional trades based on the aforesaid objective

criteria, which shall be taken into consideration at the time of inspection.

- Members are strictly advised not to modify any client code in their back-office system.
- Any transfer of trade (institutional or non-institutional) to error account of the broker would not be treated as modification of client code and would not attract any amount of penalty, provided the trades in error account are subsequently liquidated in the market and not shifted to some other client code.
- For easy identification of error account, members are required to register a fresh client code as “ERROR” in the UCC database of the Exchange for the account which is classified by them as error account. Further, members are required to have a well-documented error policy approved by their Board/Management.
- If modification exceeds 1% of the value of trades executed during a month, the Exchange shall conduct a special inspection of the trading members and take appropriate disciplinary action, if any deficiency is observed.

Refer to SEBI Circular CIR/DNPD/6/2011 dated July 5, 2011 and Exchange Notice No. 20110706-1 July 6, 2011, 20110826-4 dated August 26, 2011 and 20111214-4 dated December 14, 2011.

In continuation to the above, SEBI has issued circular regarding modification of client codes of non-institutional trades executed on stock exchanges (All Segments) wherein it is mentioned that stock exchanges may waive penalty for a client code modification where stock broker is able to produce evidence to the satisfaction of the stock exchange to establish that the modification was on account of a genuine error. Not more than one such waiver per quarter may be given to a stock broker for modification in a client code. Explanation: If penalty waiver has been given with regard to a genuine client code modification from client code AB to client code BA, no more penalty waivers shall be allowed to the stock broker in the quarter for modifications related to client codes AB and BA.

Proprietary trades shall not be allowed to be modified as client trade and vice versa and Stock exchanges shall submit a report to SEBI every quarter regarding all such client code modifications where penalties have been waived. Additionally, stock exchanges shall undertake stringent disciplinary actions against stock brokers who undertake frequent client code modifications.

Refer to SEBI circular no. CIR/MRD/DP/29/2014 dated October 21, 2014 and Exchange Notice No. 20141021-15 dated October 21, 2014.

SEBI vide its letter dated February 8, 2016 has communicated that stock brokers on whom penalty has been levied for client code modifications during the period from August 1, 2011 to October 20, 2014, can now make a representation to the Exchange seeking reversal/ waiver of penalty levied for client code modifications for genuine errors and that the Exchange shall review the requests for reversal/ waiver as per the guidelines laid down by SEBI in its circular dated October 21, 2014.

Stock brokers are requested to note that their requests, in this regard, shall be made to the Exchange

within 3 months from the date of this notice viz. by May 9, 2016. The stock brokers may send the segment wise waiver requests on bse.inspection@bseindia.com in excel format as given below:

Please refer Exchange notice no. 20160210-23 dated February 10, 2016 in this regard.

Cl g. No	Name of the Stock Broker	Segment	Trade date (dd/mm /yy yy)	Script code	Old client code	New client code	Quantity	Rate	Total Penalty levied during the month	Penalty sought for reversal/Waiver	Reason for reversal/waiver of penalty

The BSE download to the members on a daily basis 4 cumulative files viz. unreg1, unreg2, unreg3 and unreg 4 at certain interval and ddmmyyyy through the All-Data Option of Dload32, containing the client codes where trades have been executed either without registering the client code or without uploading the PAN details of the client to the BSE database. In case of unregistered client codes, the members will have to register the said client codes on the day of trade itself in order not to attract any charges in this regard (BSE notice no. 20070104-12 dated January 04, 2007, no. 20090715-4 dated July 15, 2009, no. 20090828-18 dated August 28, 2009, no. 20090901-17 dated September 01, 2009, no. 20090908-9 dated September 08, 2009 and no. 20131127-12 dated Nov 27, 2013). Files downloaded to the members for unregistered UCC/PAN are:

- (i) Unreg1 on the day of trade at 12.15 noon.
- (ii) Unreg2 on the day of trade at 2.15 pm.
- (iii) Unreg3 on the day of trade at 4.15 pm.
- (iv) Unreg4 on the day of trade at 5:15pm.
- (v) NP file on the day of trade at 5.45 pm and
- (vi) NPF file on next morning at 9.00 am.
- (vii) NPS file on 10th of next month giving consolidated details of charges for unregistered UCC/UCC without PAN for the previous month.

PM file is downloaded to the members for modification of client code on monthly basis.

Flagging of POA in UCC

If client has given POA in favour of member for funds and/or security movement, member needs to select “Yes” while uploading client code. The flagging of POA in UCC is mandatory to prospective clients only (I.e. w.e.f February 13, 2015).

Refer Exchange Notice No - 20150123-10 dated December 23, 2015.

List of recent Notices issued with regards to UCC

Notice No	Subject
20210529-3	Updating of new UCC with all mandatory fields in UCC system of Exchange
20210524-13	Extension for Mandatory fields in Unique Client Code (UCC) information provided to Exchange
20210517-38	Mandatory fields in Unique Client Code (UCC) information provided to Exchange
20210310-44	Amendments to provisions in SEBI Circular dated September 16, 2016 on Unique Client Code (UCC) and mandatory requirement of Permanent AccountNumber (PAN)
20210412-37	Charges for trading with unregistered UCC/UCC without PAN for the month of March, 2021

1.6 Execution of Power of Attorney (POA) by clients in favor of stock broker / stock brokers

Refer Exchange Notice 20221007-63 regarding Execution of Power of Attorney (PoA) by the Client in favor of the Stock Broker / Stock Broker and Depository Participant.

20221007-63	<u>Execution of ‘Demat Debit and Pledge Instruction’ (DDPI) for transfer of securities towards deliveries / settlement obligations and pledging / re-pledging of securities - Clarification</u>
20220630-39	<u>Implementation of Circular on ‘Execution of ‘Demat Debit and Pledge Instruction’ (DDPI) for transfer of securities towards deliveries / settlement obligations and pledging / re-pledging of securities’ - Extension</u>
20220406-19	<u>Execution of ‘Demat Debit and Pledge Instruction’ (DDPI) for transfer of securities towards deliveries / settlement obligations and pledging / re-pledging of securities</u>

1.7 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 stock brokers 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.

D. Applicability for foreign investors:

Intermediaries dealing with foreign investors viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, may be guided by the clarifications issued vide SEBI circular CIR/MIRSD/11/2012 dated September 5, 2012, for the purpose of identification of beneficial ownership of the client. with UIDAI provided, the amount invested by the client does not exceed Rs. 50,000 per financial year per Mutual Fund and payment for the same is made through electronic transfer from the client’s bank account registered with that Mutual Fund. Refer Exchange Notice No. 20160125-19 dated January 25, 2016, 20160311-27 dated March 11, 2016 and 20160405-14 April 05, 2016 on the same.

1.8 Operationalization of Central KYC Records Registry (CKYCR)

Central KYC Registry is a centralized repository of KYC records of customers in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector with an objective to reduce the burden of producing KYC documents and getting those verified every time when the customer creates a new relationship with a financial entity. Registered intermediaries were directed to upload the KYC data with CKYCR, in respect of all individual account opened on or after August 01, 2016. In this regard, SEBI has issued circular on Operationalization of Central KYC Records Registry (CKYCR) vide circular no. CIR/MIRSD/66/2016 dated July 21, 2016, Exchange notice No. dated 20160722-8 July 22, 2016. “Uploading of the existing clients’ KYC details with Central KYC Records Registry (CKYCR) System by the Registered Intermediaries” vide circular no. CIR/MIRSD/120/2016 dated November 10, 2016 and Exchange e notice no. 20161111-24 dated November 11, 2016.

Notice No	Subject
20210331-51	Rollout of Legal Entity Template
20161130-13	Uploading of the existing clients' KYC details with Central KYC Records Registry(CKYCR) System by the registered intermediaries
20161111-24	Uploading of the existing clients’ KYC details with Central KYC Records Registry (CKYCR) System by the Registered Intermediaries
20160722-8	Operationalization of Central KYC Records Registry (CKYCR)

1.9 Use of Technology for Client Registration

SEBI has decided to permit 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.

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 UIDAI's 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 investors 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.

iii. 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 and 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.

iv. 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.

v. 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.

vi. 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:

- a. 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
- b. Affix online the cropped signature on the filled KYC form and submit the same to the RI

under eSign.

vii. 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.

viii. 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;
- iii. As digitally signed document of the OVD, issued to the DigiLocker by the issuing authority.

ix. 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:

- i. IPV/ VIPV would not be required when the KYC of the investor is completed using the Aadhaar authentication / verification of UIDAI.
- ii. IPV/ VIPV shall not be required by the RI when the KYC form has been submitted online, documents have been provided through digiocker or any other source which could be verified online.

For details please go through the Exchange notice (SEBI Circular : - SEBI/HO/MIRSD/DOP/CIR/P/2020/73 dated April 24, 2020)

Notice No	Subject
20200425-2	Clarification on Know Your Client (KYC) Process and Use of Technology for KYC

1.10 Nomination for Eligible Trading and Demat Account

1. SEBI, vide circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2021/601 dated July 23, 2021 had mandated providing choice of nomination details, i.e., either furnishing of nomination or declaration for opting out of nomination for investors opening new trading and or demat account(s) on or after October 01, 2021 and for all existing eligible trading and demat account holders latest by March 31, 2022 failing which the trading accounts shall be frozen for trading and demat account shall be frozen for debits.
2. Thereafter, on the basis of representations received from various stakeholders, vide SEBI circular SEBI/HO/MIRSD/MIRSD_RTAMB/P /CIR/2022/23 dated February 24, 2022, the timeline for mandatory submission of 'choice of nomination' for existing trading and demat accounts was extended to March 31, 2023.
3. Based on the assessment of the trading as well as demat accounts in which choice of nomination details (i.e. furnishing of nomination or declaration for opting out of nomination) has not been updated and on the basis of representations received from the stakeholders, SEBI vide its circular no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/42 dated March 27, 2023 ,has stated that the provisions mentioned at para 7 of SEBI circular dated July 23, 2021 read with para 3 (a) of SEBI circular dated February 24, 2022 with regard to freezing of accounts shall come into force with effect from **September 30, 2023** instead of March 31, 2023.
4. Exchange vide its notice no. 20230328-8 dated March 28, 2023 requires all trading members to 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 / demat accounts wherein the 'choice of nomination' is not captured. The communication shall provide guidance through which the client can provide his/her 'choice of nomination'.

Nomination Form

[Annexure A 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]

TM / DP Name and Address		FORM FOR NOMINATION <i>(To be filled in by individual applying singly or jointly)</i>					
Date D D M M Y Y		Y Y UCC/ DP ID I N	Client		ID		
I/We wish to make a nomination. <i>[As per details given below]</i>							
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]	%	%	%		
		<i>Any odd lot after division shall be transferred to the first nominee mentioned in the form.</i>					
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] <input type="checkbox"/> Photograph & Signature <input type="checkbox"/> PAN Aadhaar <input type="checkbox"/> Saving Bank account no. <input type="checkbox"/> Proof of Identity <input type="checkbox"/> 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:				
	<input type="checkbox"/> 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] <input type="checkbox"/> Photograph & Signature <input type="checkbox"/> PAN <input type="checkbox"/> Aadhaar <input type="checkbox"/> Saving Bank account no. <input type="checkbox"/> Proof of Identity <input type="checkbox"/> Demat Account ID				

Name(s) of holder		Identifier(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

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)

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	Date	D	D	N	M	Y	Y	Y	Y
Trading Member/Participant's Name									
Trading Member/Participant's Address									
UCC/DP ID	I	N							
Client ID (only for Demat account)									
Sole/First Holder Name									
Second Holder Name									
Third Holder Name									
<p>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.</p>									
<p>Name and Signature of Holder(s)*</p> <p>1. _____ 2. _____ 3. _____</p> <p>_____</p>									

*** Signature of witness, along with name and address are required, if the account holder affixes thumb impression, instead of signature**

1.11 Client Registration Documents in Vernacular Languages

Exchange vide Notice no 20160711-11 dated July 11, 2016. This has reference to the SEBI circular CIR/MIRSD/16/2011 dated August 22, 2011, on client registration documents. To facilitate better understanding of the registration documents by the investors, Exchange is pleased to provide the following documents in 15 regional vernacular languages:

1. Document stating the Rights & Obligations of stock broker, sub-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 BSE website at http://www.bseindia.com/investors/client_regislanguages.aspx?expandable=3 and can be downloaded. Trading Members are advised to make available the documents to their clients on demand and display the same on their own website. It may be noted that the documents are a translated version of the documents in English and for reference purpose only. In case of any ambiguity the contents of the English version would prevail.

1.12 Simplification of Account Opening Kit

In order to keep the smooth process of client registration, SEBI has issued a circular no. CIR/MIRSD/64/2016 dated July 12, 2016 it has been decided that, stock broker/ depository participant 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/ depository participant shall maintain logs of the same.

ITEM 2 - CONTRACT NOTES

2.1 Issue of contract notes

The Contract note is a document through which a contractual obligation is established between a member-broker and his client. This is the prime document on the basis of which all the disputes between the member-broker and his clients are settled.

Every member-broker is required to issue contract notes to all his clients for the securities sold and purchased by him on their behalf within one working day of execution of trade and obtain acknowledgement of the clients along with the date of receipt on the duplicates/counterfoils of the contract notes and preserve the same for future reference. The member-brokers shall maintain a proper record for dispatch of contract notes to the clients if the same are dispatched through post, courier etc.

When a member-broker is acting as an agent for his client, they are advised to ensure that the contract notes are issued strictly in accordance with the format prescribed by the BSE. Further, members may mention the details including the brokerage amount in the contract notes in four decimal places. (Refer Exchange Notice No. 20130221-4 dated February 21, 2013 and 20140717-12 July 17, 2014).

The member-brokers are required to issue contract notes to clients, which are serially numbered. The contract notes are required to be signed either by the member-broker himself or his constituted attorney. Further, a copy of Board resolution / Power of Attorney, authorizing the person to sign the contract notes on behalf of the member, is required to be filed with the BSE and maintain BSE acknowledged copy for the same. In case a sole proprietor/partnership firm wishes to authorize another person to sign the contract notes, then the member-broker is required to execute a power of attorney authorizing another person(s) to sign the contract notes. In case of corporate member, a board resolution is required to be passed to authorize a person(s) including Directors to sign the contract notes. The power of attorney / board resolution(s) together with specimen signatures of authorized signatories are required to be filed with the Membership Department of the BSE.

Stock Brokers may affix facsimile signatures (scanned signature) on the physical contract notes issued to their clients after ensuring that adequate controls and procedures are put in place regarding the use of facsimile/scanned signature.

Stock Broker opting to use this facility should have a well-documented policy regarding its use which shall be implemented after appropriate board approval (in case of corporates), partners (in case of partnership firms) or proprietor (in case of sole proprietorship firm) as the case may be. Further, the authorized

signatories should necessarily be approved by the Board/Partners/Proprietor for use on the contract notes.

The policy should clearly specify the procedure to be adopted for its use, the controls in place and procedure to be followed in case of any change of authorized signatories.

In case, an authorized signatory whose signature was used for the above purpose, no longer holds the position, then the use of his signature should not be continued afterwards under any circumstances.

Any contract note issued with facsimile/scanned signature shall be deemed to have been signed by the authorized signatory notwithstanding any misuse of facsimile/scanned signature and the ultimate responsibility to prove its genuineness shall rest with the Stock Broker. Refer Exchange Notice No. 20160607-4 dated June 07, 2016.

2.2 Format of Common Contract Note

1. The Member's attention is drawn to Exchange notice 20200930-26 dated 30 Sep 2020 wherein the format of Contract Note has been prescribed in accordance with the Goods & Service Tax (GST) rules
2. In case of Institutional clients, the current practice may be continued.
3. Members who do not opt for the issuance of consolidated common contract notes, may issue different contract notes for different segments/Exchanges.
4. The following clarifications may be noted for issuance of revised format of common contract notes cum bill: -
 - a. Exchange-wise rows for Brought Forward Position in case of Derivatives segment shall be optional and in such case the document shall be called Contract note and not Contract Note cum Bill.
 - b. Where column for Brought Forward Position is not shown, column for "closing rate per unit (only for derivatives)" may be removed from the common contract note format.
 - c. The contract note shall be printed and issued in a readable font.
 - d. For mentioning settlement number and date, additional columns can be incorporated in case the client has dealt with multiple Exchanges and segments.
 - e. Securities Transaction Tax (STT) and Service tax amounts shall be mentioned as a consolidated figure on the Contract note. Members may also provide details of STT trade wise in the contract notes. However, details of trade wise STT shall be provided by the Members on an annual basis to clients if the same is not provided in the contract note or along with the contract note.

- f. In case of any square off trade/s executed by the Trading Member, pursuant to margin calls being made to the client and the client failing to comply with them, the remark column in the contract note shall indicate the same against such trades.
- g. Where Back-office trading code of a client is different from the UCC of such client that is uploaded to the Exchange, such Exchange and Segment wise back-office code shall be separately mentioned in the table provided.
- h. In case a client has different UCC, Exchange wise and segment wise, the same can be mentioned by inserting an additional row in the table for capturing the trading and back-office code.
- i. In case of multiple Exchanges, all SEBI registration numbers are required to be mentioned.
- j. Serial Number for each series of contract notes issued from August 01st 2014 onwards shall commence from the first trade executed on that date and need not be on a pre-printed stationary. In case the member does not opt for consolidated contract note, he may continue with the current serial numbers.
- k. Additional details in the contract notes may be provided, however the same should not be in contravention to Rules, Regulations and Circulars issued by the Exchange from time to time.
- l. In case of contract notes issued at the weighted average price (WAP), the same can be up to four decimal places.
- m. Where the Member is registered under a different name with another Exchange, separate Exchange wise contract notes shall be issued to the clients.

2.3 Brokerage, Statutory Levies and Regulatory Levies & Charges (Refer Exchange Notice Nos. 20140717-12 dated July 17, 2014 and 20150515-27 dated May 15, 2015)

“Members have been advised to prominently display the details of brokerage/charges to be levied for each order on the “Order placement window/screen” to the investor on their Internet Based Trading (IBT) / Wireless Trading (WT) applications prior to placement of order. (Reference Notice No. 20221003-60 dated October 03, 2022 and 20221208-1 dated December 08, 2022)

- a. Following levies/ brokerage can only be charged to client in the contract note:
 - **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.
 - **Statutory levies:** These are charges levied by Central/ State governments e.g., Service Tax, Security Transaction Tax (STT), Stamp Duty, etc. and may be recovered from client only at actuals paid/ payable.
 - **Regulatory levies/charges:** These are charges levied by SEBI / Exchanges / Clearing Corporation seg.

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.

b. Brokerage can be charged as under

Capital Market Segment

Maximum rate of brokerage that can be charged by a member-broker shall not exceed Rs. 0.25 per share/debenture or 2.5 % of the contract price per share/debenture, whichever is higher.

Member-broker shall levy brokerage on all the trades executed on behalf of its constituents except those, which are in the nature of charity. (Bye-law 205 and 215 of the Rules, Byelaws and Regulations of the Exchange).

Futures contracts –

The maximum brokerage chargeable by a trading member in relation to trades executed on the Exchange shall be 2.5% of the contract value exclusive of statutory levies.

Option contracts

Trading Members shall not charge brokerage at rates exceeding such scale as the derivatives segment may specify from time to time. Further as per Notice No. 20120913-8 dated September 13, 2012, maximum brokerage on options contracts shall not exceed 2.5% of the premium amount or Rs 100/- (per lot) whichever is higher. Further, the trading members can charge 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.

As per Notice No. 20130221-4 dated February 21, 2013 and 20170704-23 dated April 4, 2017 members may mention the details including the brokerage amount/rate in the contract notes in four decimal places.

c. Issue of Contract notes in case of multiple trades for a single order.

In case of multiple trades resulting from single order, at the request of the clients, the member brokers may issue contract notes with weighted average price (WAP), as per the following formula:

WAP (Value up to four decimal places) = Total value of the shares traded for an order

Total number of shares traded for an order

The member shall ensure that details of trades such as Contract number, Order No., Order time, Trade No., Trade Time, traded quantity etc. is attached to the contract note as an Annexure when a consolidated

trade is shown in the contract note. The member-broker shall mention the words “as per annexure” in the place provided for trade no. and trade time in the format of the contract note prescribed by the Exchange. (Exchange notice no. 4646/97 dated November 29, 1997).

d. Members may give additional details in the contract notes without compromising with the minimum details as prescribed in the format.

Inclusion of “ISIN” details: -

SEBI has directed that “ISIN” details are required to be included in Bills/Contract Notes/Statements issued by the Stock Brokers to their clients for securities traded in the Cash Segment w.e.f. June 30, 2015 (Refer to Exchange Notice No. 20150303-26 dated March 3, 2015.)

Pre-paid brokerage schemes: -

It is hereby clarified that.

- The terms & conditions of schemes relating to advance collection of funds towards brokerage and other allied services must be properly documented and positive confirmation of the clients for availing such services/schemes be obtained.
- Where the funds are collected in advance under the pre-paid schemes, the broker must ensure that the brokerage charged should not exceed the amount specified under the exchange by-laws.
- Complaints received in this respect will be viewed very seriously and the broker will be liable for disciplinary action.

(Refer to Exchange Notice No. 20140324-15 dated March 24, 2014)

2.4 Electronic issuance of contract notes

The stock broker may issue electronic contract notes (ECN) only if specifically authorized by the client subject to the following conditions;

- a. 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.
- b. 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. Thus, e-mail id should be created / provided by the investor only.
- c. 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 (Refer to Exchange Notice No.20091204-7 dated December 04, 2009).

All ECNs sent through e-mail are to be digitally signed, encrypted, non - tamper able and complying With the provisions of the IT Act, 2000. Whenever ECN is sent, proof of delivery i.e., sent log report generated by the system at the time of sending the contract notes is to be maintained by the member broker for the specified period, in a soft and non-tamper able form. Further, a log report to provide the details of contract notes that are not delivered to the client / rejected or bounced e-mails.

Proper communication is to be made in the agreement executed with the client for issuing Electronic Contract Notes that non-receipt of bounced mail notification shall amount to delivery of the contract note at the e-mail ID of the client.

Physical contract note is to be sent to the clients, wherever an Electronic Contract Note has bounced back from the e-mail ID of the client. Further, proof of delivery of such physical contract notes is to be maintained by the member.

In addition to the e-mail communication of the ECN to the client, it must be simultaneously published on the website of the member in a secured way and enable easy access to the clients through client specific user ID & password.

The existing guidelines for ECN like access to ECN thru website login, delivery proof (ECN log), sending physical in case of non-delivery, etc. are mentioned in SEBI Circular CIR/MIRSD/16/2011 dated August 22, 2011.

2.5 Issuance of Contract Notes through STP in the Equity Segment

SEBI Circular no. DNP/Cir-9/04 dated February 3, 2004, has facility of issuance of ECNs as a legal document using STP to the equity segment and has provided a model contract note in electronic form (IFN 515 messaging format) and confirmation of electronic contract note (IFN 598 messaging format).

2.6 Compliance with fit & proper requirement by Members in case of trading in securities of Stock Exchanges

As per Regulation 19(1) of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 SECC Regulations, no person shall, directly or indirectly, acquire or hold equity shares of a recognised Stock Exchange or recognised Clearing Corporation unless he is a fit and proper person in terms of Regulation 19 and 20 of the said SECC Regulations.

SEBI circular CIR/MRD/DSA/01/2016 dated January 01, 2016 stipulates procedures for ensuring compliance with Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 SECC Regulations. The said SEBI circular also stipulates that post listing of Stock Exchanges, the text of the Regulation 19 & 20 of SECC Regulations with regard to fit and proper shall be made part of the contract note.

In view of the same, Members are required to ensure that their clients who are executing transactions in securities of the listed Exchanges through them are fit & proper as stipulated by the above applicable regulations and attach the text of the said regulations as annexure with the contract notes issued to such clients.

2.7 Compliance with fit & proper requirement by Members in case of trading in securities of Depositories

As specified under Regulation 23 of SEBI (Depositories and Participants) Regulations, 2018, Members are required to ensure that their clients who are executing transactions in the securities issued by depositories through them are fit & proper. Accordingly, Members shall also attach the text of the criteria for fit & proper person as specified in Regulation 20 of Securities Contracts (Regulation) (Stock exchanges and Clearing Corporations) Regulations, 2018 as annexure to the contract notes issued to such clients

ITEM 3 - MARGIN COLLECTION FROM CLIENTS

3.1 Clarification regarding margin collection and reporting by members

With effect from April 1, 2020 margin of clients will not include related person/entities and all margin should be of respective clients only.

As per SEBI Circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020 a separate pledge type viz. 'margin pledge', for pledging client's securities as margin to the TM / CM. The TM / CM shall open a separate demat account for accepting such margin pledge, which shall be 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 re-pledge of securities on the approved list to CC only out of 'Client Securities Margin Pledge Account'.

Please refer the applicable guidelines and requirements for Margin Collection and reporting issued from time to time and ensure compliance.

Notice No	Subject
20201127-12	Guidelines/clarifications on Peak Margin collection and reporting
20200928-45	Guidelines/clarifications on Margin collection & reporting
20200903-1	Investor Awareness regarding the revised guidelines on margin collection
20200831-45	Guidelines/clarifications on Margin Collection & Reporting
20200731-7	Guidelines / clarifications on Margin collection & reporting
20200729-38	Margin obligations to be given by way of Pledge/Re-pledge in the Depository System
20200528-6	Margin obligations to be given by way of Pledge/ Re-pledge in the Depository System

False reporting of Margins:

Margin amount reported to the ICCL/Exchange as collected, however margins not collected in any method prescribed above, if considered by the member as margins collected would be construed as false reporting to the Exchange/ICCL.

Penalty structure in case of False reporting of Margins:

Notice No	Subject
20200831-44	Imposition of fines for false reporting of margins by Trading Member in CashSegment
20191218-23	Rationalization of imposition of fines for false reporting of margins by ClearingMembers in all segments.

3.2 Daily Margin Statement

A format of daily margin statement across all the segments which stipulates minimum information to be provided to clients is

3.3 Collateral deposited by clients with members

In continuation of earlier circulars and in order to reiterate the need for brokers to maintain proper records of client collateral and to prevent misuse of client collateral, SEBI vide circular MRD/DoP/SE/Cir-11/2008 dated 17th April 2008 has advised that: -

- a) 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.
- b) Brokers should further be able to produce the aforesaid records during inspection. The records should include details of
 - Receipt of collateral from client and acknowledgement issued to client on receipt of collateral
 - Client authorization for deposit of collateral with the exchange / clearing corporation / clearinghouse towards margin
 - Record of deposit of collateral with exchange / clearing corporation / clearing house
 - Record of return of collateral to client
 - Credit of corporate action benefits to clients
- c) The records should be periodically reconciled with the actual collateral deposited with the broker.

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

e) 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.

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

Use of Client collateral by Broker

SEBI circular no. MRD/DOP/SE/Cir-11/2018 dated April 17, 2008 and the exchange notice no. 20080421-32 dated April 21, 2008 and circular no. CIR/MRD/DP/54/2017 dated June 13, 2017 and the exchange notice no. 20170615-23 dated June 15, 2017, which inter-alia, provide that client collateral/securities shall not be used for purposes other than meeting clients margin requirements/pay-in or as may be stipulated in “Rights & Obligation Document”.

Further, the aforesaid SEBI circular dated June 13, 2017 and Circular no. CIR/MRD/DP/86/2017 dated August 01, 2017 and the exchange notice no. 20170803-5 dated August 02, 2017, contain provision regarding source of funds for the purpose of margin trading facility by the stock broker.

In view of the above, it reiterated that strict compliance with the provisions relating to use of client collateral is ensured by the stock broker.

Notice No	Subject
20190416-10	Use of Client collateral by Broker

Peak Margin

Refer SEBI/HO/MRD2/DCAP/CIR/P/2020/127 dated July 20, 2020:

The client wise margin file provided by the CCs to TMs/CMs shall contain the EOD margin requirements of the client as well as the peak margin requirement of the client, across each of the intra-day snapshots

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.

3.4 Margin Trading Facility

A Comprehensive circular on Margin Trading Facility is issued vide Exchange notice 20170615-23 dated June 15, 2017

Securities Eligible for Margin Trading

Equity Shares that are classified as 'Group I security' as per SEBI Master circular No. SEBI/HO/MRD/DP/CIR/P/2016/135 dated December 16, 2016, shall be eligible for margin trading facility.

Margin Requirement: -

In order to avail margin trading facility, initial margin required shall be as under.

Category of Stock	Applicable margin
Group I stocks available for trading in the F & O Segment	VaR + 3 times of applicable ELM*
Group I stocks other than F&O stocks	VaR + 5 times of applicable ELM

For aforesaid purpose the applicable VaR and ELM shall be as in the cash segment for a particular stock.

- The initial margin payable by the client to the Stock Broker shall be in the form of cash, cash equivalent or Group I equity shares, with appropriate hair cut as specified in SEBI Master circular no. SEBI/HO/MRD/DP/CIR/P/2016/135 dated December 16, 2016.
- The Stock brokers shall be required to comply with the following conditions:
- The stocks deposited as collateral with the stock broker for availing margin trading facility (Collaterals) and the stocks purchased under the margin trading facility (Funded stocks) shall be identifiable separately and no comingling shall be permitted for the purpose of computing funding amount;
- Collateral and Funded stocks shall be marked to market on a daily basis;
 - In case of increase in the value of Collaterals, stock brokers may have the option of granting further exposure to their clients subject to applicable haircuts;
- However, no such exposure shall be permitted on the increased value of Funded stocks.

- Stock brokers shall ensure maintenance of the aforesaid margin at all times during the period that the margin trading facility is being availed by the client. In case of short fall, stock broker shall make necessary margin calls.
- The exchange/stock broker, based on the risk assessment, shall have the discretion to impose/collect higher margin than the margin specified in para-4 above.
- Liquidation of Securities by the Stock Broker in Case of Default by the Client
- The stock broker shall list out situations/conditions in which the securities may be liquidated and such situations/conditions shall be included in the “Rights and Obligations Document”. The broker shall liquidate the securities, if the client fails to meet the margin call to comply with the conditions as mentioned in this circular or specified in the “Rights and Obligations Document” specified by exchange.
- However, the broker shall not liquidate or use in any manner the securities of the client in any situation other than the conditions stipulated at para-9 above.
- Eligibility Requirements for Stock Brokers to Provide Margin Trading Facility to Clients
- Only corporate stock brokers with a net worth of at least Rs.3.00 crore shall be eligible to offer margin trading facility to their clients.
- The “net worth” for the purpose of margin trading facility shall be as specified in SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992.
- The stock brokers shall submit to the stock exchange a half-yearly certificate, as on 31st March and 30th September of each year, from an auditor confirming the net worth. Such a certificate shall be submitted not later than 30th April and 31st October of every year.
- Source of Funds
- For the purpose of providing the margin trading facility, a stock broker may use own funds or borrow funds from scheduled commercial banks and/or NBFCs regulated by RBI. A stock broker shall not be permitted to borrow funds from any other source.
- The stock broker shall not use the funds of any client for providing the margin trading facility to another client, even if the same is authorized by the first client.
- Further SEBI vide circular no. CIR/MRD/DP/86/2017 dated August 2, 2017 had issued clarification as follows:
- It was clarified that Stock brokers may borrow funds by way of issuance of CP and by way of unsecured long term loans from their promoters and directors. The borrowing by way of issuance of CPs shall

be subject to compliance with appropriate RBI Guidelines. The borrowing by way of unsecured long-term loans from the promoters and directors shall be subject to the appropriate provisions of Companies Act

- Leverage and Exposure Limits
- At any point of time, the total indebtedness of a stock broker for the purpose of margin trading shall not exceed 5 times of its net worth, calculated as per para 12 above.
- The maximum allowable exposure of the broker towards the margin trading facility shall be within the self-imposed prudential limits and shall not, in any case, exceed the borrowed funds and 50% of his “net worth”.
- While providing the margin trading facility, the broker shall ensure that:
 - Exposure to any single client at any point of time shall not exceed 10% of the broker’s maximum allowable exposure, as specified in para 17 above.
 - Exposure towards stocks purchased under margin trading facility and collateral kept in the form of stocks are well diversified. Stock brokers shall have appropriate Board approved policy in this regard.
- Disclosure Requirement
 - The stock broker shall disclose to the stock exchanges details on gross exposure towards margin trading facility including name of the client, Category of holding (Promoter/promoter group or Non-promoter), clients’ Permanent Account Number (“PAN”), name of the scrips (Collateral stocks and Funded stocks) and if the stock broker has borrowed funds for the purpose of providing margin trading facility, name of the lender and amount borrowed, on or before 12 noon on the following trading day.
 - The stock exchanges shall disclose on their websites the scrip wise gross outstanding in margin accounts with all brokers to the market. Such disclosure regarding margin trading done on any day shall be made available after the trading hours, on the following day, through its website.
 - The stock exchanges shall put in place a suitable mechanism to capture and maintain all relevant details including member-wise, client-wise, scrip-wise information regarding outstanding positions in margin trading facility and also source of funds of the stock brokers, on the exchange both on daily as well as on cumulative basis.
- Rights and Obligations for Margin Trading
 - The stock exchanges shall frame a Rights and Obligations document laying down the rights and obligations of stock brokers and clients for the purpose of margin trading facility. The Rights and Obligations document shall be mandatory and binding on the Broker/Trading Member and the clients for executing trade in the Margin Trading framework.

- The broker/exchange may modify the Rights and Obligations document only for stipulating any additional or more stringent conditions, provided that no such modification shall have the effect of diluting any of the conditions laid down in the circular or in the Rights and Obligations document.
- Maintenance of Records
- The stock broker shall maintain separate client-wise ledgers for funds and securities of clients availing margin trading facility.
- The stock broker shall maintain a separate record of details of the funds used and sources of funds for the purpose of margin trading.
- The books of accounts, maintained by the broker, with respect to the margin trading facility offered by it, shall be audited on a half yearly basis. The stock broker shall submit an auditor's certificate to the exchange within one month from the date of the half year ending 31st March and 30th September of a year certifying, inter alia, the extent of compliance with the conditions of margin trading facility. This certificate is in addition to the certificate on net worth specified in para 12 above.
- Other Conditions
- A broker shall take adequate care and exercise due diligence before providing margin trading facility to any client.
- 28. Any disputes arising between the client and the stock broker.
- in connection with the margin trading facility shall have the same treatment as normal trades and should be covered under the investor grievance redressal mechanism, arbitration mechanism of the stock exchange.
- SGF and IPF shall be available for transactions done on the exchange, whether through normal or margin trading facility. However, any losses suffered in connection with the margin trading facility availed by the client from the stock broker shall not be covered under IPF.
- The stock brokers wishing to extend margin trading facility to their clients shall be required to obtain prior permission from the exchange where the margin trading facility is proposed to be offered. The exchange shall have right to withdraw this permission at a later date, after giving reasons for the same.
- This circular shall supersede earlier circulars no SEBI/MRD/SE/SU/Cir-15/04 dated March 19, 2004, SEBI/MRD/SE/SU/Cir-16/04 dated March 31, 2004 and MRD/DoP/SE/Cir-08/2005 dated March 04, 2005 on Margin Trading Facility.
- The Stock Exchanges are advised to:-
- Take necessary steps and put in place necessary systems for implementation of this circular.
- Make necessary amendments to the relevant bye-laws, rules and regulations for the implementation

of the above decision.

- Bring the provisions of this circular to the notice of the member brokers of the stock exchange and also disseminate the circular on the website.
- This circular is being issued in exercise of the powers conferred by Section 11 (1) of Securities and Exchange Board of India Act, 1992 to protect the interest of investors in securities and to promote the development of, and to regulate the securities market.

Refer SEBI circular nos. SEBI/MRD/SE/SU/Cir-16/04 dated March 31, 2004, MRD/DoP/SE/Cir-08/2005 dated March 04, 2005, CIR/MRD/DP/54/2017 dated June 13, 2017 and Exchange notice nos. 20040402-31 dated April 2, 2004, 20050314-14 dated March 14, 2005, 20170615-23 dated June 15, 2017 and 20170619-26 dated June 19, 2017.

Annexure – 1

Format of the Daily Reporting by the members to the Exchange on the amount financed by them under the Margin Trading Facility

Name of the member

Clearing No.

Name of the Client	Category of Holding (Promoter/Promoter Group or Non-Promoter)	PAN	Name of Stock (Collateral or Funded Stock)	Stock Exchange	Qty Financed (Number of Shares)	Amount of Financed (In Lakhs)

Sl.	Particulars	(Rs. In lakhs)
1	Total outstanding on the beginning of the day	
2	Add: Fresh exposure taken during the day	
3	Less: Exposure liquidated during the day	
4	Net outstanding at the end of the day	

Source of funds

1	Out of net worth	
2	Out of borrowed funds	

3	If borrowed, name of lenders and amount borrowed to be specified separately	
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Note: Disclosure is required to be made on or before 12 noon on the following trading day.

Annexure – 2

Format for the dissemination of information by the stock exchange

Name of the Stock	Qty. financed by all the members (Number of shares)	Amount financed by all the members (Rs. In lakhs)

Sl. No.	Particulars	(Rs. In lakhs)
1	Scrip-wise total outstanding on the beginning of the day	
2	Add: Fresh exposure taken during the day	
3	Less: Exposure liquidated during the day	
4	Net scrip-wise outstanding at the end of the day	

Note: Disclosure is required to be made immediately before end of the following trading day (in respect of previous day’s margin trading facility) .

The stock brokers are required to upload the MG, MGA and MGB files daily to the Exchange through BEFS in format as per Exchange notice no. 20170803-1 dated August 3, 2017. Link of the notice is as below:

<http://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20170803-1>

SEBI vide circular no. CIR/MRD/DP/86/2017 dated August 2, 2017 and Exchange notice no. 20170803-5 dated August 3, 2017 has issued clarification that

“Stock brokers may borrow funds by way of issuance of CP and by way of unsecured long term loans from their promoters and directors. The borrowing by way of issuance of CPs shall be subject to compliance with appropriate RBI Guidelines. The borrowing by way of unsecured long-term loans from the promoters and directors shall be subject to the appropriate provisions of Companies Act. “Link of notice in this regard is as below:

<http://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20170803-5>

Further FAQs on the same has been published on the Exchange website link of which is as below:

http://www.bseindia.com/markets/equity/EQReports/margin_trad.aspx?expandable=3

REGULATORY REQUIREMENTS.

1	Collateral deposited by clients with members	SEBI vide circular MRD/DoP/SE/Cir-11/2008 dated 17 th April 2008
2	Margin trading Facility	SEBI circular nos. CIR/MRD/DP/54/2017 dated June 13, 2017 and CIR/MRD/DP/86/2017 dated August 2, 2017 and Exchange notice nos. 20170615-23 dated June 15, 2017 and 20170619-26 dated June 19, 2017, 20170803-1 dated August 3, 2017 and 20170803-5 dated August 3, 2017 and 20170619-26* (Rights and Obligations).

3.5 Guidelines/clarifications on Margin collection & reporting

This has reference to Exchange Notice 20200731-7 dated July 31, 2020 with respect to “Guidelines/clarifications on Margin collection & reporting” wherein it was clarified that the members cannot pass on the penalty w.r.t short collection of upfront margin to client. However, Exchange has observed that certain members are passing on the penalty levied by clearing corporations on account of “short/non-collection of upfront margins from clients” to respective clients.

In view of the above, it is reiterated that members are not permitted to pass on the penalty levied by clearing corporations on account of “short/non-collection of upfront margins” to clients under any circumstances. Further, Exchange Notice 20200731-7 dated July 31, 2020, has been partially modified as below:

In case of short reporting of margin/margin on consolidated crystallized obligation/MTM, Can member pass on the penalty to the clients?

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 consolidated crystallized obligation, Delivery margins, other margins (Mark-to-market & additional margins), 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.

Reference:

Notice No.	Subject
20211012-54	Guidelines/Clarifications on 54mrg 20211012-54 Guidelines/Clarification on Margin collection & reporting.

ITEM 4 - DEALINGS WITH CLIENTS

4.1 Mode of payment and delivery

All transactions relating to clients are to be routed through the client bank account. A member -broker may open a single client bank account or multiple client bank accounts. Whenever a member-broker trades as a principal, he cannot use the client's account for payment.

No money shall be withdrawn from clients account other than money in respect of which there is a liability of clients to the member-broker, provided that the money so drawn should not exceed the total of the money so held for the time being for each such client. Member-brokers should not use clients' account for making payment for, office expenses such as, salary, telephone bills, TDS payments, purchase of office equipment, etc.

It is compulsory for all member brokers to keep separate accounts for clients' securities and to keep such books of accounts, as may be necessary, to distinguish his securities from those of the clients' securities. Member-broker should ensure payment of money/delivery of securities to the clients within one working day of the declaration of payout by the Exchange in respect of the concerned settlement. At times payment may be delayed on specific instructions of the client. In such cases, member-broker should obtain written confirmation from the clients. The member-brokers may be allowed to maintain running account of the clients, if in respect of such accounts, the member-broker is having specific authority from clients to maintain running account without any obligation to receive payment/ delivery of securities strictly within one working day of declaration of pay-out by the BSE in respect of the concerned settlement. Also, the corporate benefits such as interest, dividend, Bonus / Right shares received on behalf of the clients should be passed on to the clients immediately.

Pursuant to provisions contained in SEBI circular no. SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003 it is to be noted that member-brokers should not accept cash from the client whether against obligations or as margin for purchase of securities and / or give cash to the clients against sale of securities. All payments should be strictly received / made by the member-brokers from / to the clients strictly by account payee crossed cheque / demand drafts or by way of direct credit into the bank accounts of the clients concerned through EFT, or any other mode allowed by RBI.

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

While receiving funds from the clients through pre-funded instruments, such as, Pay Order, Demand Draft, Banker's cheque, etc., if the aggregate value of pre-funded instruments is ` 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:

- i. Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.
- ii. Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument.
- iii. Certified copy of the passbook/bank statement for the account debited to issue the instrument.
- iv. Authentication of the bank account-number debited and name of the account holder by the issuing bank on the reverse of the instrument.

Further, maintain an audit trail of the funds received through electronic fund transfers to ensure that the funds are received from their clients only. Refer to SEBI Circular No. CIR/MIRSD/03/2011 dated June 9, 2011 and Exchange Notice No. 20110610-6 dated June 10, 2011.

The member-brokers should accept cheques drawn only by the clients and issue cheques in favor of the clients only, for their transactions. However, in exceptional circumstances the member-broker may receive the amount in cash, to the extent permitted by the Income Tax department / authorities from time to time.

Similarly, receipt/delivery of securities in "demat mode" should also be directly to / from the "demat account" of the respective client except delivery of securities to a recognized entity such as approved intermediaries under the approved scheme of the stock exchange and / or SEBI.

4.3 Tagging of demat and bank accounts of trading / clearing members

Refer SEBI Circular for Tagging of Demat and Bank Account SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016

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

Settlement Account".

Refer CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 for CUSA Account

- The securities are required to be 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 of 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.

Refer the requirement to open separate pledge account as under as per SEBI Circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020 as per which:

- 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 open a separate demat account for accepting such margin pledge, which shall be 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 re-pledge of securities on the approved list to CC only out of 'Client Securities Margin Pledge Account'.

4.4 Running Account Authorization and Actual settlement

As per SEBI Circular No. SEBI/HO/MIRSD/DOP/P/CIR/2022/101 dated July 27, 2022 & Exchange Notice No. 20220727-48 dated July 27, 2022, regarding "Settlement of Running Account of Clients' Funds lying with Trading Member (TM)" and subsequent FAQs notified vide Exchange Notice no. 20220923-62 dated September 23, 2022. The settlement of running account of funds of the client shall be done by the TM after considering the End of the day (EOD) obligation of funds as on the Page 2 of 3 date of settlement across all the Exchanges on first Friday of the Quarter (i.e., Apr-Jun, Jul-Sep, Oct-Dec, Jan-Mar) for all the clients 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 for all the clients. If first Friday is a trading holiday, then such settlement shall happen on the previous trading day.

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

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:

Reporting formats are given in the BSE notice no. 20221228-55 dated 28 Dec 2022.

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

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:

- Entire pay-in obligation of funds outstanding at the end of day on date of settlement, across all segments.
- Member may retain 50% of end of the day (EOD) margin requirement as cash margin, excluding the margin on consolidated crystallized obligation/ MTM.
- 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.

(For Computation for arriving at retention of excess client funds based on above points, Members may refer Exchange Notice no. 20220923-62 dated 23 Sep 2022,

FAQ on Settlement of Running Account of Client's Funds lying with Trading Member (TM)

4.5 Statement of Accounts

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

Clarifications on Statement of Accounts

- Member shall send a complete 'Statement of Accounts' for both funds and securities/commodities in respect of each of its clients on weekly basis from Monday to Saturday for each week.
- 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.
- 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.
- 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.
- 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.
- In view of the recent changes in the guidelines on margin collection from clients by way of pledge-pledge mechanism of client securities and revised POA guidelines, the format of register of securities (ROS) prescribed in the exchange circular 20180830-31 dated August 30, 2018 has been revised. Accordingly, ROS format prescribed in the exchange circular 20180830- 31 dated August 30, 2018 shall be superseded by format in 20210205-30 notice of the Exchange. Further, 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, un-cleared 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.
- 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.
- 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.
- Member shall ensure that the statement of account of fund/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.

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.

Members are requested to note that, the aforementioned requirement shall be applicable from the week ending on March 06, 2021 due date of which will be March 12, 2021 and for each week thereafter.

Notice No	Subject
20210205-30	Guidelines for 'Statement of Accounts' for Funds, Securities and Commodities

4.6 Financing of securities transactions and transfer of securities & funds

Trading members are required to refrain from arrangements by which, the securities and funds of a client are received / transferred by trading members routinely from / to the accounts of different entities or the joint accounts of the client with the financier or its agents, or the trading member operates the client's bank account and / or depository account, under a financing arrangement with a general authorization by the clients.

Such arrangements are in violation of circulars issued earlier regarding mode of payment & delivery, margin trading and securities lending & borrowing. In view of the same, trading members are advised to ensure the following:

- a) Trading members shall not be a party to any agreement or arrangement, directly or indirectly, entered between their clients and any person including their subsidiary / holding company or group company, to fund the transactions executed by the trading members on behalf of their clients, or recognize or act in accordance with any such agreement or arrangement entered by the clients with any person.
- b) Trading members shall not entertain, any instructions to trade in securities or transfer funds or securities, from any entity other than the clients, by prior arrangement or otherwise to facilitate financing clients' transactions.
- c) Trading members shall not obtain any authorization or power of attorney, for operating the depository and / or bank accounts of clients who avail financing facility for securities trading, conferring rights for operation of such accounts exclusively by the trading member.
- d) Trading members shall not also otherwise finance or act as a conduit or front for financing any secondary market transactions entered by their clients, directly or indirectly except in accordance with the regulatory provisions of Margin Trading Facility and Securities Lending and Borrowing.

4.7 Clarifications on funding in connection with / incidental to /consequential upon the securities business

Debit Balances in Clients' Account

As per point 2.6 of SEBI Circular having number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016:

“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 pay-in”

Delayed Payment Charges or interest charge for the funds deployed by the member may be charged at the rate/s consented by the client.

4.8 Pre-paid Schemes

Based on inspection of brokers and complaints received from clients/investors, it has been observed that some of the brokers are not properly documenting and disclosing to their clients' details of schemes where funds are being collected in advance from them towards brokerage and other allied services. This leads to disputes, complaints, and litigation later on.

Exchange in consultation with SEBI and Broker Association hereby clarified that.

- The terms & conditions of schemes relating to advance collection of funds towards brokerage and other allied services must be properly documented and positive confirmation of the clients for availing such services/schemes be obtained.
- Where the funds are collected in advance under the pre-paid schemes, the broker must ensure that the brokerage charged should not exceed the amount specified under the exchange by-laws.
- Complaints received in this respect will be viewed very seriously and the broker will be liable for disciplinary action.

4.9 Prevention of Unauthorized Trading by Stock Brokers

SEBI vide its circular No. CIR/HO/MIRSD2/CIR/P/2017/108 dated September 26, 2017 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 SMS messages

f) Any other legally verifiable record.

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

Further, wherever the order instruction from clients are received through telephone, the stock brokers are required to mandatorily use telephone recording system to record the instructions and maintain telephone, recordings as part of their records.

This provision is effective from January 01, 2018.

4.10 Handling of client Securities by Trading Members/Clearing Members

Stock-Broker's need to segregate securities or moneys of client or clients or shall not use client securities or moneys for self or any other client as given below:

1. Pool account (TM/CM - Pool account)
2. Own Beneficiary Account (Stock-Broker-Proprietary Account)
3. Client Unpaid Securities Account (CUSA)

Broker should have adequate systems and procedures in place with proper audit trail to ensure that client collateral is not used for any purpose other than meeting the respective client's margin requirements/pay-ins.

Members need to transfer securities from pool account to the respective beneficiary account of their client within one working day after the pay-out day. If client does not pay for the securities, the broker is entitled to retain those securities up to five trading days after payout in "CUSA" giving notice for payment to client and in case of non-payment broker should dispose respective client's securities and adjust in their account.

Broker should not grant new exposure to client debit balance arising due to failure to pay the required amount carried on till fifth trading day. (Except margin trading facility provided as per SEBI regulations)

If "CUSA" has securities beyond seven trading days after pay-outs penalty shall be levied upon TM/CMs per depositories bye-laws.

W.e.f. September 1, 2019 clients securities cannot be pledge to the Banks/NBFCs for raising funds even with client authorization.

Stock broker cannot use funds of one client for providing margin facility of other client (even if client's approval is taken).

4.11 Treatment of Inactive Trading Account

The requirement for flagging the client as inactive in the UCC database of the Exchanges and the exemption for reporting (weekly submission of securities holding and monthly upload of client funds and securities balances) shall continue to be applicable if no trades are carried out by the client in the last 12 (Twelve) months across all Exchanges.

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 Digilocker 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.

Notice No.	Particulars
20201201-27	Treatment of Inactive Trading account

4.12 Clarification on incentives/referral schemes

Below are guidelines for incentives/ referral schemes

1. Incentive rate should only be a flat rate and single rate applicable for all referring person.
2. Referring person should not undertake any selling/advisory activities nor should manage portfolio of person being referred and limit role to referral only.
3. The referred client should not be subjected to any kind of inducement by the referring person.
4. All client details will be kept confidential and disclosed only if required by law/regulation or with client's permission.

5. None of client transaction details/documents should be sent to referring person
6. Referring person cannot conduct IPV/OSV
7. Incentive amount should not be recovered from respective client
8. Above incentive is between referring person and broker and will not be covered in investor protection or grievance redressal measures of the exchange.

4.13 Clarifications on Running Account settlement of funds

Stock Brokers are required to mandatorily settle the client accounts on a monthly / quarterly basis, as per the client preference, after ensuring a gap of maximum 30/90 days (as per the client mandate) between two running account settlements. Client balance need to be credited in their bank and not invested directly in any scheme with/without client consent.

It is clarified apart from retention of 125% of the margin liability in derivatives segment as on date of settlement trading member may additionally retain margin liability in capital market segment as on the date of settlement.

Stock brokers shall not retain the value of funds and securities to the extent of the value of turnover (gross turnover) executed on date of settlement in cash market segment.

Broker may retain funds/securities at the time of settlement as given below

1. Entire pay-in obligation of funds and securities outstanding at the end of day on date of settlement.
2. A part of margin given above the margin liability will also include margin collected by broker as per risk management policy and inform the client.
3. One-time amount of Rs 10,000/- net amount across segment and across exchange after taking one-time client consent.

4.14 Use of client collateral by Broker

SEBI circular no. MRD/DOP/SE/Cir-11/2018 dated April 17, 2018 and the exchange notice no. 20080421-32 dated April 21, 2008 and circular no. CIR/MRD/DP/54/2017 dated June 13, 2017 and the exchange notice no. 20170615-23 dated June 15, 2017, which inter-alia, provide that client collateral/securities shall not be used for purposes other than meeting clients margin requirements/pay-in or as may be stipulated in "Rights & Obligation Document".

SEBI circular dated June 13, 2017 and Circular no. CIR/MRD/DP/86/2017 dated August 01, 2017 and the exchange notice no. 20170803-5 dated August 02, 2017, contain provision regarding source of funds for the purpose of margin trading facility by the stock broker.

In view of the above, it reiterated that strict compliance with the provisions relating to use of client collateral is ensured by the stock broker.

Notice No	Subject
20190416-10	Use of Client collateral by Broker

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

Exchange vide Notice no. 20200702-43 dated July 02, 2020. Member's attention is drawn to SEBI circular SEBI/HO/MIRSD/DPIEA/CIR/P/2020/115 dated July 1, 2020, on the subject "Standard Operating Procedure in the cases of Trading Member / Clearing Member leading to default". Members are requested to take note of the contents of the circular.

This has reference to SEBI circular no. SEBI/HO/MIRSD/DPIEA/CIR/P/2020/115 dated July 01, 2020, and Exchange notice no. 20200702-43 dated July 02, 2020 on "Standard Operating Procedure in the cases of Trading Member /Clearing Member leading to default".

In accordance with the point no.9 of the above mentioned circulars, 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.

<https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20200702-43>

4.16 Issuance of Annual Global Statement

As per SEBI, letter dated November 27, 2017, all the stock brokers are required to issue an Annual Global Statement to their clients. Further, the statement is required to be issued within 30 days from the end of financial year and should cover all transactions executed by the client during the financial year. An indicative format of the Annual Global Statement issued by the exchange vide circular no. 20180111-36 dated January 11, 2018.

Name of the client	
UCC(s) of the client	
PAN of the client	
Basis	Trade/ Settlement
Date of Issue of AGTS	
Financial Year	

Security/ Commodity Description	Exchange	Segment	Purchase Quantity	Purchase Value	Sale Quantity	Sale Value

The above is minimum information and model format. The Stock Broker may provide any additional data like ISIN, average rate, net position, etc.

1. Consolidated report to be given for entire financial year
2. Each distinct security/ commodity should be mentioned as a separate line item
3. The AGTS may be given on trade day basis or settlement day basis
4. AGTS should be generated PAN Wise. However, a single PAN has been issued multiple UCCs (eg. NRI clients, different UCCs allotted across different segments/ exchanges), then UCC wise AGTS may be provided
5. Effect of close out/ settlement / auction transactions should be mentioned in the purchase/ sale column, as appropriate
6. AGTS has to be provided to all the clients within 30 days from the end of the financial year
7. Regulatory directives as applicable from time to time regarding communication to clients should be adhered to
8. 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
9. If the client desires any further information/ details regarding the AGTS, the same should be provided by the Stock Broker

4.17 Client Unpaid Securities Pledgee Account (CUSPA)

Exchange Vide Notice no. 20221111- 62 dated November 11, 2022. We draw your attention to SEBI circular ref. no: SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 dated November 11, 2022, regarding Handling of Clients' Securities by Trading Members (TM) / Clearing Members (CM).

1. In order to protect clients' funds and securities and to ensure that the Stock Broker segregates securities or moneys of the client or clients and does not use the securities or moneys of a client or clients for self or for any other client, SEBI has issued various circulars from time to time.
2. SEBI, vide circular no. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019, introduced the "client unpaid securities account" and inter-alia specified the following:
 - a. 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.

- b. 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 of 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.
 - c. 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 byelaws levy appropriate penalties upon such TM/CM which shall not be permitted to be recovered from the client.
3. In order to further streamline the process of handling of unpaid securities by TM/CM and also to prevent any kind of misuse of such unpaid securities, after extensive consultations with Exchanges.

4.18 E-mail and SMS alerts to Investors

The Securities and Exchange Board of India SEBI vide circular ref no. CIR/MIRSD/15/2011 dated August 02, 2011 had advised the Stock Exchange to provide the facility of SMS and email alerts to investors. Pursuant to the said SEBI circular, the Exchange had provided a facility for the trading members to upload the details of their clients such as name, mobile number, correspondence address and E-mail address on UCI Online.

In view of the same, members are required to obtain the email id and mobile number of their clients and upload them to the UCI online. Members are required to take utmost care while uploading the said client details.

In this regard following circulars have been issued by the Exchange: - SEBI circular CIR/MIRSD/15/2011 dated August 02, 2011, Exchange Notice No. 20140825-23 dated August 25, 2014, and 20140819-17 dated August 19, 2014.

1. This is in continuation to Exchange Notice No 20140819-17 dated 19th August 2014 related to generation and downloading data of clients whose mobile numbers/email-ids are not available in the UCC database of the Exchange.
2. Some of the members have expressed operational difficulties in mentioning different dummy email ids/ mobile nos. for clients who either do not have mobile number/email id or do not wish to provide the same, since they have a single client database.
3. Accordingly, for all such clients, the trading members shall now enter "notprovided@notprovided.com" in the email ID field and "6666666666" in the mobile number field.
4. All other provisions of the Notice No 20140819-17 dated 19th August 2014 will remain the same.
5. Members are requested to take note of the above and comply with the same.

4.19 Timelines for Closure of financial accounts under Rule 114H 8 of the income Tax rules, 1962 under alternative procedure of FATCA.

The financial institutions need to obtain self-certification and carry out due diligence in respect of all individual and entity accounts opened from 1st July 2014 to 31st August 2015. Such self-certification and documentation was required to be obtained by the financial institutions by 31st August 2016, otherwise, they were required to close the accounts and report the same if found to be a “reportable account” as per the prescribed due diligence procedure for pre-existing account.

The financial institutions have been advised to make all efforts to obtain self-certification from the account holders under FATCA and inform the account holders regarding blocking of their accounts in case self-certifications are not provided till 30 April 2017.

4.20 Discontinuation of acceptance of cash by Stock Brokers

SEBI vide its circular Ref no. SEBI/HO/MIRSD/DOP/CIR/P/2018/113 dated July 13, 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.

4.21 Increasing awareness on Rights Entitlement (RE)

Trading members are advised to inform all their clients about the commencement of trading in REs mentioning the ISIN of the RE and that the same shall not be mistaken for ordinary shares of the concerned company. Additionally Trading members shall also include a disclaimer text prominently in the contract notes containing purchase of REs informing the Clients that the purchase of REs only gives them the right to participate in the ongoing Rights Issue of the concerned company by making an application with requisite application money or renounce the REs before the issue closes. REs which are neither subscribed by making an application with requisite application money nor renounced, on or before the Issue closing date shall lapse and shall be extinguished after the Issue closing date.

4.22 Creating investor awareness and safeguarding clients' assets

This has reference to Exchange notice 20200116-44 dated January 16, 2020 with respect to actual settlement of client accounts. As per the existing requirements, members are required to mandatorily settle the client accounts at least once within a gap of maximum 30 / 90 days between two settlements of running account as per the preference of the client. Further, SEBI has issued circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021 revising the guidelines on settlement of running account of client's funds lying with the trading members and also mandated to return the credit

balances of clients within three working days in case client has not done any transaction within 30 calendar days w.e.f. August 1, 2021.

All members are advised to strictly adhere to the aforementioned requirements and put in place systems and procedures to ensure strict adherence to the timelines prescribed for settlement of running account of clients' funds. Further, members should ensure to credit the settlement amount to the client bank account directly and not run any schemes to invest the actual settlement amount with the consent/without consent of the client.

Further, in the recent past, it has come to the notice of the Exchange that certain members were engaging into activities/schemes of fixed / periodic payments, which are not permitted under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges.

It is reiterated that members are not permitted to undertake any business/activity that is not allowed under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges including operating any schemes of unauthorised collective investments/portfolio management, promising indicative/ guaranteed/fixed returns/payments etc.

Members are 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. Members are also advised to display the following messages on their respective websites under a separate banner "Advisory for investors"

4.23 Unauthorised Market Practices by Trading Members

Exchange vide Notice no. 20220325-58 dated March 25, 2022. Members' attention is drawn to Exchange notice no. 20210827-44 dated August 27, 2021, wherein it was reiterated that members are not permitted to undertake any business/activity that is not allowed under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges.

However, despite various guidelines/ clarifications issued by the Exchange from time to time, certain practices followed by members are not in compliance with the relevant guidelines issued by the Exchange. Below are some of the market practices, that have come to the notice of the Exchange and members are advised to refrain from engaging in such practices.

- a) **Incentives/referral schemes:** It has come to the notice of the Exchange that members are running schemes such as sponsoring/funding ETF units for the opening of trading accounts. Members are also offering 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. Acquisition of clients by offering such incentives/ schemes is against the spirit of guidelines issued by Exchange, and any pattern observed in this regard will be liable for disciplinary action. Members are hereby advised to refrain from such practices, and trading accounts opened through client referral strictly complied with Exchange notice no. 20200311-57 dated March 11, 2020.

Client shall not be subjected to any kind of trade inducement (including generating trade calls through the Interactive Voice Response (IVR) system) and shall ensure that all instructions for placement of orders are obtained from the respective client only.

- b) **Issue of advertisements:** It is noted that Members are increasingly using influencers to promote their business, products/services/brokerage plans etc., including undertaking brand promotion. Members are hereby advised to undertake adequate due diligence to ensure that the content used by the influencer strictly adheres to the code of advertisement prescribed by the Exchange. 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 notice no. 20210928-53 dated September 28, 2021, Members are required to flag the client account as “inactive” if there are no transaction in the client account for a period of one year. It has come to the notice of the Exchange that members are urging 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 a copy of the 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 reflects satisfactory financial position of the client before allowing them to trade in derivatives segment.
- e) **Assured Return Schemes/ Unauthorised Portfolio Management Service:** It has also come to the notice of the Exchange that certain members were engaging in activities/schemes of fixed / periodic payments, which are not permitted under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges. It is reiterated that members are not permitted to undertake any business/activity that is not allowed under the Byelaws, Rules & Regulations 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):** It has been observed that clients trading in derivatives were lured to share trading credentials – (login id & passwords) with the individuals/persons who had promised assured returns and traded on behalf of these clients. In view of the same, members are hereby advised to carry out surveillance of trading activities of clients, particularly in derivatives. Members are also advised to monitor whether the trading activity of their clients in the derivatives segment is in proportion to their income / networth. Refer to Exchange notice no. 20210701-30 dated July 1,2021 on ‘Surveillance Obligations for Trading Members’, for indicative themes on which trading members may formulate their alerts.

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 look out 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 Byelaws, Rules & Regulations 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.

4.24 Precautions for clients dealing in Options

This has reference to Exchange notice no. 20220325-58 dated March 25, 2022, wherein it was highlighted that certain psssractices followed by members are not in compliance with the relevant guidelines issued by the Exchange

Further, members' attention is drawn to Exchange notice no. 20091204-7 dated December 4, 2009 and 20100203-30 dated February 03, 2010, wherein the guidelines for "Dealings between a client and a stockbroker" have been prescribed. Subsequently, SEBI vide circular no: CIR/MIRSD/16/2011 dated August 22, 2011, has simplified and rationalized the trading account opening process. In accordance with the aforesaid circulars, clients who wish to trade in derivatives segments shall mandatorily sign the "trading preference" in the client registration form. Trading members shall also collect documentary evidence of financial details provided by the clients who opt to deal in the derivatives segment

However, it has been observed that trading members are not performing adequate due diligence to ensure that documentary evidence for income submitted by the client reflects the satisfactory financial position of the client before allowing them to trade in derivatives. It has also been observed that certain members are availing the services of influencers to promote "Options" trading, thereby inducing the clients to trade in "Options" without considering the product suitability/knowledge and trading experience of the clients.

In view of the same, 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 sensitize 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 unauthorized / unregistered investment advisors and influencers

Members are advised to regularly look for various unsolicited messages/unauthorized 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, authorized persons, and clients. Members are also advised to take appropriate actions on the individuals/entities using their name/brand/logo and engaging in unauthorized market practices.

4.25 Timelines for Closure of financial accounts under Rule 114H 8 of the income Tax rules, 1962 under alternative procedure of FATCA

The financial institutions need to obtain self-certification and carry out due diligence in respect of all individual and entity accounts opened from 1st July 2014 to 31st August 2015. Such self-certification and documentation was required to be obtained by the financial institutions by 31st August, 2016, otherwise they were required to close the accounts and report the same if found to be a "reportable account" as per the prescribed due diligence procedure for pre-existing account.

The financial institutions are advised to make all efforts to obtain self-certification from the account holders under FATCA and inform the account holders regarding blocking of their accounts in case self-certifications are not provided till April 30, 2017.

<https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20170418-4>

ITEM 5 - DEALINGS WITH INTERMEDIARIES

5.1 Dealings by branches, intermediaries, authorized persons etc.

Over the last few years, Trading Members have been significantly expanding their trading network. Many of these extended trading centers are being manned by the Trading Members' branch officials, registered sub-brokers, authorized persons etc., Trading Members are aware that in respect of all such places, they continue to remain responsible for ensuring full compliance of the Rules, Byelaws, Regulations etc., (Regulations) of the Exchange. Especially, Trading Members are also aware that they are required to ensure that the activities of the persons manning these places and terminals are fully in compliance of the Regulations and that they do not indulge in any activity which is in violation of the Regulations, including activities like unregistered sub-broking, off-market deals, lending/ borrowing transactions, handling funds and securities otherwise than directly to / from the Trading Members' accounts, etc., In order to ensure the same, the Trading 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 sub-broker, branch official, authorized person, dealer, etc.,)
- (ii) ensuring that the persons operating the terminals, while placing orders on behalf of a registered client, do not use the "remarks column" without proper explanation or to put codes which could later suggest the existence of one or more ultimate clients.
- (iii) 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.
- (iv) ensuring that the no margin/pay-in obligation/pay-out adjustment is done among clients or between clients and sub-brokers, authorized persons, branch officials, dealers, etc.,
- (v) ensuring making and receipt of payments only by "Account Payee" cheque or by direct bank debit/credit and not dealing in cash.
- (vi) ensuring that the sub-broker, branch official, authorized 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 authorization from it;
- (vii) if the Trading Member is also a Depository Participant for the client, sub-broker, authorized person, branch official, dealer etc., then to watch for unexplained, frequent, or large off-market transfers
- (viii) ensuring that the clients using or frequenting such premises do not indulge in such activities using the premises, name or accounts of the Trading Member or their sub-brokers etc.,
- (ix) undertaking surprise inspections of such places to ensure prevention of any activity in violation of the Regulations.
- (x) The due diligence will also equally apply to the offices under the direct control of the Trading Members.

The Trading Members are further advised to bring the contents of this circular to the notice of all their employees, branches, sub-brokers, authorized persons, dealers, clients etc., and educate them not to allow or indulge in such activities. If any Trading Member of the Exchange is found to be allowing such activities in violation of the Rules, Bye-laws and Regulations of the Exchange, the same will be viewed seriously by the Exchange and strict disciplinary action will be taken against the Trading Member concerned. Besides the same, the Trading Member may also be saddled with redressing investor grievances and claims arising out of such dealings.

5.2 Guidelines for location of terminals and usage thereof

As per SEBI Circular No. SMDRP/Policy/CIR-49/2001 dated October 22, 2001, the member-brokers should install trading terminals only at their registered offices, branch offices and their registered sub-brokers' offices. Remisier is authorized to operate the trading terminal at member- broker's office only. (Exchange Notice No.104616/2001 dated November 12, 2001 & Notice No. 20040205-13 dated February 05, 2004). An office is considered as member -brokers' office only if it is /owned or taken on rent or lease, by a member-broker of the Exchange. In fact, member-brokers should have effective control over the functioning of those offices.

In case of Authorized Person (AP), if any trading terminal is provided by the stock broker to AP, the place where such trading terminal is located shall be treated as branch office of the stock broker (BSE notice no. 20100224-18 dated February 24, 2010).

In case of Direct Market Access (DMA) facility, member brokers are allowed to offer their clients, direct access to the BSE trading system through their infrastructure without manual intervention by the brokers (BSE notice no. 20080417-24 dated April 17, 2008).

TERMINAL REGISTRATION

The Exchange had been permitting addition of new trading terminals and installation of IML terminals for business expansion of members and the members availing of IML are required to execute Affidavit- cum- Undertaking regarding use of the IML software.

Members are required to upload the information for all their terminals along with the details of the approved users through new web-based Location ID Registration Module in BSEWebx system which allows for addition / updating / deactivation / activation of terminals. The link for the same is <https://ucc.bseindia.com>. (Refer to Exchange Notice No. 20120816-19 dated August 16, 2012). In case of Currency Derivatives, members are required to registered location id of BOLT+ terminal. (Refer to Exchange Notice No. 20131224-7 dated December 24, 2013, 20140205-25 dated February 5, 2014).

Trading terminals / IML terminals allotted and particulars of which are not uploaded/wrongly uploaded as above shall be treated as unregistered terminals. The BSE downloads a file name LC_DTL.xxxx (clg. no.) to all trading members containing information regarding locations which are not registered or are incorrectly registered and orders are being punched from that location. This file contains one record consisting of the fields in respect of the unregistered location such as, Member ID, Order ID, Scrip Code,

Location ID & Trader ID. LC files informing members about unregistered/wrongly registered IML / BOLT terminal locations will be downloaded four times a day through the Extranet System during trading hours itself, and enable members to take immediate corrective action and avoid charges by registering the correct location id on the same day. (Exchange Notice No. 20120823-13 dated August 23, 2012)

It would be mandatory for the trading member to have one certificate (i.e., BSE's Certification on Securities Market or NISM certification or NISM approved bodies certificates) per connectivity in the Cash Segment. Refer to Exchange Notice No. 20111213-2 dated December 13, 2011. Equity Derivatives Segment NISM certificate (Series – VIII) is mandatory per user id Refer to Exchange Notice No. 70728 / 2000 dated December 07, 2000 and for Currency Derivatives Segment (Series – I) Refer to Exchange Notice Nos. 20090520-18 dated May 20,2009 and 20090711-1 dated July 11, 2009.

5.3 Placing of notice boards

Trading members should place a permanent notice board, as per the prescribed format, at all their offices including the offices of sub-brokers, or any other offices where the trading terminals are located which should prominently display the following information: -

1. Name of the Trading Member
2. Address & Tel. No. of the main office of the trading member (also Name & Tel. No of the contactperson in the main office)
3. SEBI Registration No. of the trading member
4. BSE Investor Service Tel. No.

Apart from the notice board, a list of general Do's and Don'ts, as per the prescribed format, to be observed by the investors while investing/trading in the stock markets should be prominently displayed.

Trading Members are also required to ensure that a copy of their SEBI Registration Certificate is prominently displayed in all their offices.

Trading Members should also ensure that the SEBI Registration Certificate issued to the sub-broker is prominently displayed at all their sub-broker's offices. (Exchange Notice No.20050902-21 dated September 02, 2005).

Members must display prominently its name as registered with SEBI, its own logo, if any, its registration number, and its complete address with telephone numbers on its portal /web site, if any, notice / display boards. (Refer SEBI circular Cir/MIRSD/ 9 /2010 dated November 4, 2010 and Exchange Notice No: 20101109-1 dated November 9, 2010)

SEBI has been taking various measures to create awareness among investors about grievance mechanisms available to them through workshops as well as through print and electronic media. As an additional measure and for information of all investors who deal/ invest/ transact in the market, it has now been

decided that offices of all StockBrokers (its registered Sub-Broker(s) and Authorized Person(s)) shall prominently display basic information, as provided as mentioned below (in Annexure-A), about the grievance redressal mechanism available to investors. The intermediaries shall take necessary steps to implement the provisions of this circular and ensure its full compliance in respect of all its offices on or before 60 days from the date of this circular.

Annexure-A - FOR STOCK BROKERS

Dear Investor, *In case of any grievance / complaint against the Stock Broker*

Please contact Compliance Officer of the Stock Broker (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, you may contact the concerned Stock Exchange.

Refer to SEBI circular No. CIR/MIRSD/3/2014, dated 28th August 2014 and Exchange Notice No. 20140828-39 dated August 28, 2014 and 20140902-12 dated September 2, 2014 regarding display of information regarding Grievance Redressal Mechanism.

5.4 Inspection of APs

It shall be the primary responsibility of the affiliated stock broker to inspect the registered Aps and Branches. It is hereby clarified that every stock broker is required to inspect every year at least 20% of its registered sub-brokers.

Member's attention is drawn to SEBI circular MIRSD/ DR-1/ Cir- 16 /09 dated November 06, 2009 and Exchange Notice no. 20100224-18, dated February 24, 2010, on the supervisory framework with respect to Member's branches and Authorized Persons (AP) network.

To enhance the effectiveness of the supervision and ensure uniformity & standardization across all Members, following guidelines, framed in joint consultation with SEBI & other Exchanges, are being issued:

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

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

- a) APs/Branches with more than 500 registered clients across Exchanges.
- b) APs with more than 20 trading terminals and Branches with more than 50 trading terminals, across all segments/Exchanges.
- c) 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, Member shall carry out an immediate inspection, irrespective when the last inspection was carried out an initiate appropriate action.

iii. The indicative scope of the Inspection to be carried out is outlined in the Notice dated 18 Oct 2019.

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.

Notice No	Subject
20191018-43	Framework for Supervision of Authorized Persons (APs) & Branches by Members

5.5 Notification under regulation 3 of the Securities and Exchange board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007

Series VII – Associated persons

SEBI vide Regulation 3 of the Securities and Exchange Board of India (certification of Associated Persons in the Securities Market) Regulations, 2007, has notified in the Gazette of India that, Associated Persons i.e. persons associated with a registered stock broker/trading member/clearing member in recognized stock exchanges, who are involved in, or deal with any of the following, namely

1. Assets or funds of investors or clients
2. Redressal of investor grievances
3. Internal control or risk management
4. Activities having a bearing on operational risk

shall be required to have a valid certification from the National Institute of Securities Market(NISM).

Accordingly, the Associated Persons, associated with a registered stock broker/ trading member/ clearing member shall have to pass the NISM-Series-VII : Securities Operations and Risk Management Certification Examination within two years from the date of notification i.e. December 10, 2010. Further if a stock broker/trading member/ clearing member who employs any associated persons after the date of notification shall ensure that the said associated persons shall obtain valid certification within one year from the date of their employment (Refer to Exchange Notice No. 20101215-19 dated December 15, 2010).

Further, in consultation with SEBI and other Exchanges it has been decided that requirement of passing of NISM Series VII - Securities Operations and Risk Management Certification exam would be optional for associated persons handling the basic clerical/elementary functions in the above stated areas provided their work is supervised by NISM Series VII -Securities Operations and Risk Management Certification certified personnel. The broad indicative activities that can be classified as basic elementary level/clerical level are enclosed as Annexure-A of Exchange Notice No. 20140902-8 dated September 2, 2014. Trading members are advised to take note of the same and ensure compliance by December 31, 2014.

Series-I-Currency Derivatives certification

Under regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007, SEBI has notified on May 13, 2009 that trading member of the Currency Derivatives Segment of a recognised stock exchange shall ensure that all its approved users and sales personnel obtain Series-I: CD certification. (Refer Exchange Notice No. 20090520-18 dated May 20, 2009).

From the date of the notification, a trading member of the Currency Derivatives Segment of a recognized stock exchange shall not engage or employ any approved user or sales personnel who does not have valid Series-I: CD certification.

Series IIIA – Compliance officers

Under regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007, SEBI has notified vide notice dated March 11, 2013 that 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 (“NISM”) by passing the NISM-Series-III A: Securities Intermediaries Compliance (Non-Fund) Certification Examination (“SICCE”). (Refer Exchange Notice No. 20130312-5 dated March 12, 2013).

All such intermediaries shall ensure that associated persons functioning as compliance officers as on the date of this notification obtain certification by passing SICCE within two years from the date of this notification i.e March 11, 2013.

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.

Series VIII - Equity Derivatives Segment

Under regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007, SEBI has notified vide notification dated January 11, 2013 that the associated persons functioning as approved users and sales personnel of the trading members of an equity derivative exchange or equity derivative segment of a recognized stock exchange shall obtain certification for the purpose of sub-regulation (2) of regulation 16C of the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992 from the National Institute of Securities Market (“NISM”) by passing the NISM- Series- VIII: Equity Derivative Certification Examination (“EDCE”). (Refer to Exchange Notice No. 20130122-24 dated January 22, 2013).

The trading members shall ensure that all such associated persons who are approved users or sales personnel as on the date of this notification obtain certification by passing EDCE within two years from the date of this notification i.e January 11, 2013.

A trading member, who engages or employs any such associated person who is an approved user or sales personnel, after the date of this notification, shall ensure that such person obtains certification by passing EDCE within one year from the date of his employment:

Further an associated person, who is an approved user or sales personnel, has obtained any of the following certifications as on the date of this notification –

- a) BSE's Certificate on Derivatives Exchange of Bombay Stock Exchange Limited;
- b) NCFM- Derivative Market (Dealers) Module of National Stock Exchange of India Limited

shall be exempted from the requirement of obtaining certification by passing EDCE till the validity of the said certification.

Series-IV: IRD certification Examination

The Securities and Exchange Board of India had specified that approved users and sales personnel of the trading members who are registered as such in the currency derivatives segment of a recognized stock exchange and trading in interest rate derivatives, as on June 29, 2010, shall obtain Series-IV: IRD certification, as required in the notification, within two years from the date of the said notification.

WHEREAS in view of the fresh launch of interest rate futures and difficulties expressed by the industry, it has been decided to extend the period for obtaining certification by such approved users and sales personnel for a period of two years from the date of the notification, as per SEBI Notification No. LAD-NRO/GN/2013-14/41/118 dated January 20, 2014.

Accordingly, a trading member who is registered as such in the currency derivatives segment of a recognized stock exchange and trading in interest rate derivatives shall ensure that all its approved users and sales personnel shall obtain Series-IV: IRD certification within a period of two years from the date of this notification. Further, all approved users and sales personnel employed by the trading member after the date of this notification shall obtain Series-IV: IRD certification within a period of one year from the date of employment. (Refer to SEBI Notification No. LAD-NRO/GN/2010-11/12/10230 on June 29, 2010, Notification No. LAD-NRO/GN/2013-14/41/118 dated January 20, 2014 and Exchange Notice No. 20140122-8 January 22, 2014)

NISM Series - XIII Certification (CDCE)

National Institute of Securities Markets (NISM) vide its press release dated December 09, 2014 has launched the NISM-Series-XIII: Common Derivatives Certificate Examination.

- NISM Series - I: Currency Derivatives Certification Examination
- NISM Series - IV: Interest Rate Derivatives Certification Examination
- NISM Series - VIII: Equity Derivatives Certification Examination

Candidate who have passed NISM-Series-XIII: Common Derivatives Certificate Examination shall be deemed to have obtained the requisite standard as specified in the above tree exams.

(Refer to Exchange Notice No. 20150209-5 dated February 9, 2015)

5.6 Transactions outside the trading system of the Exchange

(PRINCIPAL TO PRINCIPAL TRANSACTIONS)

Where a member-broker either buys or sells securities directly from / to his client without entering the client order on the trading system of the Exchange, then he is said to be entering into transaction on principal-to-principal basis with his client. Member-brokers are allowed to enter into principal-to-principal transactions with their clients, subject to certain condition.

The following are the requirements regarding transactions on principal-to-principal basis:

1. Written consent of the client is to be obtained for executing a transaction on principal-to-principal basis, as required under Section 15 of the Securities Contracts (Regulation) Act, 1956 and Bye-law 199 of the Rules, Byelaws and Regulations of the Exchange. Such consent from the client is to be obtained within a period of three days of execution of the transactions. Also separate consent is required to be obtained from a client for each transaction. One general letter consenting to all the transactions of this nature by a client will not do.
2. Contract notes issued by the member-brokers to the clients, when dealing with them as principals, are to be issued in accordance with Form B or BB as prescribed in Regulation 14 of the Rules, Bye-laws and Regulations of the Exchange.
3. Such transactions can be entered only as spot delivery contracts and required to be reported to the Exchange on the same day pursuant to SEBI circular no. SMD/RCG/CIR/(BKG)/293/95 dated March 14, 1995 and Exchange Notice No.20040306-9 dated March 6, 2004.
4. The transactions done on the spot basis are to be settled on the same day as the date of the contract or on the next day as provided in section 2 (i) of the Securities Contracts (Regulation) Act, 1956. The Exchange does not guarantee the settlement of these bargains.

It may be pertinent to mention that when a member-broker is transacting with client on principal-to-principal basis, much transparency is required. To maintain this transparency, Section 15 of the Securities Contracts (Regulation) Act, 1956 provides that no member-broker of a recognized Stock Exchange shall in respect of any securities enter into any contract as a principal with any person other than a member-broker of a recognized Stock Exchange unless he has secured the consent or authority of such person and discloses in the note, memorandum or agreement of sale or purchase that he is acting as a principal.

The member-brokers are also required vide Rule 15 (2)(c) of Securities Contracts (Regulations) Rules, 1957, to maintain and preserve the written consent of the client in respect of contracts entered into as principals.

It may be further noted that for Principal-to-Principal transactions, no brokerage is charged to the client.

Principal-to-Principal transactions cannot be entered into in respect of scrip that is delisted or scrip, trading in which is suspended. Further the price charged for the scrip for which transaction entered into on Principal-to-Principal basis should be within the range of open and closing price of the scrip on that date.

Cross Deals and Negotiated Deals

A cross deal is a deal between two clients of the same member-broker and negotiated deal is a deal between two member-brokers the terms of which have been negotiated by member-brokers between themselves.

SEBI vide its Circular no. SMDRP/POLICY/CIR-32/99 dated September 14, 1999 has directed that all negotiated deals (including cross deals) are not permitted. As per SEBI directive, all negotiated deals will be permitted only if these are executed on screen in the price and order matching mechanism of the exchange just like any other normal trade.

5.7 Unauthenticated news circulated by SEBI Registered Market Intermediaries through various modes of communication

It has been observed by SEBI that unauthenticated news related to various scrips are circulated in blogs/chat forums/e-mail etc. by employees of broking houses/other intermediaries without adequate caution as mandated in the code of conduct for Stock Brokers and respective Regulations of various intermediaries registered with SEBI. Further, in various instances, it has been observed that the Intermediaries do not have proper internal controls and do not ensure that proper checks and balances are in place to govern the conduct of their employees. Due to lack of proper internal controls and poor training, employees of such intermediaries are sometimes not aware of the damage which can be caused by circulation of unauthenticated news or rumours. It is a well established fact that market rumours can do considerable damage to the normal functioning and behaviour of the market and distort the price discovery mechanisms.

In view of the above, SEBI Registered Market Intermediaries are directed as follows:-

- Proper internal code of conduct and controls should be put in place.
- Employees/temporary staff/voluntary workers etc. employed/working in the Offices of market intermediaries do not encourage or circulate rumours or unverified information obtained from client, industry, any trade or any other sources without verification.
- Access to Blogs/Chat forums/Messenger sites etc. should either be restricted under supervision or access should not be allowed.
- Logs for any usage of such Blogs/Chat forums/Messenger sites (called by any nomenclature) shall be treated as records and the same should be maintained as specified by the respective Regulations which govern the concerned intermediary.
- Employees should be directed that any market related news received by them either in their official

mail/personal mail/blog or in any other manner, should be forwarded only after the same has been seen and approved by the concerned Intermediary's Compliance Officer. If an employee fails to do so, he/she shall be deemed to have violated the various provisions contained in SEBI Act/Rules/Regulations etc. and shall be liable for action. The Compliance Officer shall also be held liable for breach of duty in this regard.

5.8 Guidelines on Outsourcing of Activities by Intermediaries

SEBI Circular no. CIR/MIRSD/24/2011 dated December 15, 2011 wherein SEBI has issued guidelines on Outsourcing of Activities by Intermediaries.

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.

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

Other Obligations

- a) Reporting To Financial Intelligence Unit (FIU)
- b) Need for Self Assessment of existing Outsourcing Arrangements

1.) 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.

1.1 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.

1.2 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.

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.

- I. 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;
- II. Regulatory status of the third party, including its fitness and probity status.
- III. Situations involving conflict of interest between the intermediary and the third party and measures put in place by the intermediary to address such potential conflicts, etc.

b. 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.

c. 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.

d. 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.

a. 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.

b. 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.

c. 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.

d. Outsourcing arrangements shall not impair the ability of SEBI/SRO or auditors to exercise 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.

a. 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.

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

- I. Third party's resources and capabilities, including financial soundness, to perform the II outsourcing work within the timelines fixed.
- II. Compatibility of the practices and systems of the third party with the intermediary's requirements and objectives.
- III. Market feedback of the prospective third party's business reputation and track record of their services rendered in the past.
- IV. Level of concentration of the outsourced arrangements with a single third party; and 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.

a. 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.

b. Care shall be taken to ensure that the outsourcing contract:

- i. clearly defines what activities are going to be outsourced, including appropriate service and performance levels;
- ii. provides for mutual rights, obligations and responsibilities of the intermediary and the third party, including indemnity by the parties;
- iii. provides for the liability of the third party to the intermediary for unsatisfactory performance/other breach of the contract
- iv. 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;
- v. 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;
- vi. 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;
- vii. 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.;
- viii. provides for preservation of the documents and data by third party ;
- ix. provides for the mechanisms to resolve disputes arising from implementation of the outsourcing contract;
- x. provides for termination of the contract, termination rights, transfer of information and exit strategies;
- xi. 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.
- xii. neither prevents nor impedes the intermediary from meeting its respective regulatory obligations, nor the regulator from exercising its regulatory powers; and
- xiii. 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.

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

b. 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.

c. 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 fulfill 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.

d. 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.

a. 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.

b. 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.

c. 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.

Activities that shall not be Outsourced

The intermediaries desirous of outsourcing their activities shall not, however, outsource their core business activities and compliance functions. A few examples of core business activities may be – execution of orders and monitoring of trading activities of clients in case of stock brokers; dematerialisation of securities in case of depository participants; investment related activities in case of

Mutual Funds and Portfolio Managers. Regarding Know Your Client (KYC) requirements, the intermediaries shall comply with the provisions of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011 and Guidelines issued there under from time to time.

REGULATORY REQUIREMENTS;

1	Guidelines for location of CTCL terminals and usage thereof	Exchange Notice No. 104616/2001 dated November 12, 2001 , 20040205-13 dated February 05, 2004, 20100224-18 dated February 24, 2010, 20080417-24 dated April 17, 2008, 20131224-7 dated December 24, 2013,20140205-25 dated February 5, 2014, 20140612-7 dated June 12, 2014, 20120823-13 dated August 23, 2012, 20111213-2 dated December 13, 2011
2	Placing of notice boards	Exchange Notice No. 20050902-21 dated September 02, 2005, 20101109-1 dated November 9, 2010, 20140828-39 dated August 28, 2014, 20140902-12 dated September 2, 2014
3	Inspection of Authorized Person.	Exchange Notice No. 20191018-43 dated October18,2019
4	Notification under regulation 3 of the Securities and Exchange board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007	SEBI notification no. LAD-NRO/GN/2010-11/12/10230 dated June 29th, 2010, SEBI notification no. LAD- NRO/GN/2010-11/21/29390 dated December 10, 2010, SEBI notification no. LAD-NRO/GN/2012-13/30/5474 dated January 11, 2013; SEBI notification no. LAD-NRO/GN/202-13/33/1103 dated March 11, 2013; SEBI notification no. LAD-NRO/GN/2013- 14/41/118 dated January 20, 2014;

		Exchange Notice No. 20121108-13 dated November 08, 2012, 20111213-2 dated December 13, 2011, 20140902-8 dated September 2, 2014, 20090520-18 dated May 20, 2009, 20130312-5 dated March 12, 2013, 20130122-24 dated January 22, 2013 and 20140122-8 January 22, 2014
5	Transactions outside the trading system of the Exchange	SEBI circular no. SMD/RCG/CIR/(BKG)/293/95 dated March 14, 1995 and Exchange Notice No.20040306-9 dated March 6, 2004.
6	Unauthenticated news circulated by SEBI Registered Market Intermediaries through various modes of communication	(SEBI circular Cir/ISD/1/2011 dated March 23, 2011; Exchange Notice No. 20110323-31 dated March 23, 2011 and SEBI Addendum circular no. Cir/ISD/2/2011 dated March 24, 2011; Exchange Notice no. 20110324-24 dated March 24, 2011)
7	Guidelines on Outsourcing of Activities by Intermediaries	(SEBI Circular No. CIR/MIRSD/24/2011 dated December 15, 2011; Exchange Notice no. 20111216-1 dated December 16, 2011)

ITEM 6 - BOOKS OF ACCOUNTS AND OTHER DOCUMENTS

6.1 Maintenance of books of accounts and other documents / Preservation of records

The member-brokers of the Exchange are required to maintain the following books of accounts and records as per Rule 15 of the Securities Contracts (Regulation) Rules, 1957 and Regulation 17 of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992. These books and records are to be preserved for a minimum period of five years as per the requirements of Regulation 18 of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992.

It may however, be noted that, in cases where copies of books of accounts have been taken by any of the enforcement agencies during the course of any investigation, it is necessary to preserve the original documents, both in electronic and physical form till the trial is completed. Members may refer to Exchange Notice No. 20050805 -20 dated August 5, 2005 & Exchange Notice No. 20051227 – 18 dated December 27, 2005 in this regard.

As per Rule 15 of the Securities Contracts (Regulation) Rules, 1957 and Regulation 17 of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 following books of accounts & documents are required to be maintained by the members.

- a) Register of transactions (Sauda Book)
- b) Clients' ledger.
- c) General ledger.
- d) Journal.
- e) Cash book.
- f) Bank passbook.
- g) Documents register containing, inter alia, particulars of securities received and delivered in physical form and the statement of account and other records relating to receipt and delivery of securities provided by the depository participants in respect of dematerialized securities.
- h) Member's contract books showing details of all contracts entered into by him with other members of the same exchange or counterfoils or duplicates of memos of confirmation issued to such other members;
- i) Counterfoils or duplicates of contract notes issued to clients.
- j) Written consent of clients in respect of contracts entered into as principals;
- k) Margin deposit book.
- l) Register of accounts of sub-brokers.
- m) An agreement with a sub-broker specifying the scope of authority, and Responsibilities of the Stock Broker and such Sub-broker

n) Client account opening form in the format as may be specified by the Board

In addition to the above statutory requirements, member-brokers of the Exchange are inter-alia, required to maintain the following records/documents at the time of inspection by the BSE officials :

Sr. No.	Document Required
1	Action letter received from the Exchange of previous Inspection
2	Action letter received from the SEBI of two previous Inspections
3	Findings of two half yearly Internal Audit Reports of last calendar year.
4	BOOKS OF ACCOUNTS
a	Trial Balance
b	General Ledger (Including Dividend ledger & Brokerage ledger)
c	Client Ledgers (Notice Number : 20210205-30 dated February 5 ,2021)
d	All the Bank Books & Cash Book (Extract from back office)
e	Bank Statements
f	Contract notes sent to the clients along with acknowledgement proof
g	Client Registration Documents
h	Sauda Book (Should contain details such as UCC, Back Office Code, Client Name, Scrip Code, Scrip Name, Bought, Sold, Net Rate, Value, Brokerage, Order ID, Order Time, Trade ID, Trade Time)
i	AP's Inspection Report
j	Securities Register (Scrip wise – Client wise register)
k	Securities Register (Client wise – Scrip wise register)
5	CERTIFICATES & APPROVALS
a	Remisier's Registration Certificate and Authorized Persons.
b	Exchange approval for Own Trading from Multiple locations
c	Intimation Letter to Exchange for Own trading from default location
d	Digital Signature Certificate for ECN
e	Certifications authorizing Terminal Operators.

f	Approval letter for SLB
g	In case you deal with any other stock broker BSE as a client, copy of the BSE approval for the same
h	In case you deal with any non BSE stock broker as a client, copy of intimation of the same to BSE
i	Approval received from BSE for Internet Trading (SOR/Wireless trading/Mobile trading)
j	Approval received from BSE for Margin Trading
k	Approval received from BSE for DMA
l	Approval received from BSE for Algorithmic trading
m	Whether system audit for algorithmic trading has been carried out?
6	DOWNLOADABLES & SYSTEM REQUIREMENTS
a	Order Book (Order Log)
b	Margin Deposit Book / Ledger (Clearing Corporation files)
c	ECN Log Report (If applicable)
d	Terminal details uploaded to BSE
7	AUTHORITY & UNDERTAKINGS
a	Acknowledged copy of Board Resolution for Signing Contract Notes
b	Acknowledged letter of appointment of Compliance Officer
C	POD & Intimation letter sent to FIU regarding appointment of Principal Officer under PMLA
d	POD & intimation letter sent to FIU regarding appointment of designated director under PMLA
8	DOCUMENTS & REGISTERS
a	Pool A/c and CUSA A/c Statements (Transaction as well as Holding Statements of client/beneficiary)
b	RCBDL FILE
c	ACBDL FILE (If applicable)
d	Client wise segregation of securities
e	Statement of Account & Proof of sending to the clients
f	Register of Securities (Notice Number : 20210205-30)
g	Daily Margin Statement & Proof of sending to the clients

h	Lease Agreement/Rent Receipt or any other documentary evidence for Branch Offices.
i	Proof of Designation for all Client Bank Accounts
j	Proof of investor grievance ID printed on any printed material
k	Investor Grievance Register
l	Copy of the contract note no.1
9	POLICIES AND PROCEDURE DOCUMENTS (SEBI Circular : MIRSD/SE/Cir-19/2009 dated December 3, 2009 – mandatory to give to clients with standard documents)
a	Policy for Prevention of Anti Money Laundering including Customer identification policy, Customer due Diligence, Risk Categorization, Identification of Client of special Category, Alert note/reports, creating awareness among the clients & staff
b	Risk Management System/Policy
c	Internal Control System
d	Code of Internal Procedures and Conduct for prevention of Insider Trading
e	Policy for unauthentic news circulation
f	Redressal mechanism for Investor Grievance
g	Documented Error Account Policy

Members are required to maintain separate set of books for each Exchange in which they operate. Further, for a particular Exchange a separate set of books is required to be maintained for each particular segment of the Exchange in which the member is operating.

From the above list of books and documents, few terms are explained herein below.

a) Order Book

SEBI vide Circular no. SMD/POLICY/IECG/1-97 dated February 11, 1997 has provided that the member-brokers should maintain record of time when a client has placed the order. This information is required to be maintained by the member-broker in his Order Book. Order book should generally contain the following information:

- Identity of the person placing the order
- Date and time of order received.
- Name of the person receiving the order

- Name of the client, description and value of the securities to be bought or sold
- Terms and conditions of the order stating price/rate limit or price/trade related instructions and time limit (if any)
- Details of any modification or cancellation, if any
- Reference number of the contract note issued
- Serially numbered orders

c) Broker Query File (BRK file)

This statement is downloaded to the member-broker by the BSE on a daily basis after the market hours. This statement shows the details of all the transactions executed by a member-broker across all his terminals for a particular trading day. It shows Trade ID, Transaction ID, Time of execution of a transaction, scrip quantity, scrip code, type of transaction (such as own, client etc), Client ID and the terminal from which the transaction was executed along with date.

d) Register of Transactions (Sauda Book)

All member-brokers are required to maintain a 'Sauda Book', which contains details of all trades transacted by them on a day-to-day basis. This is a basic record, which each member-broker is required to maintain regularly on day-to-day basis. It contains the details regarding the name of the scrip, name of the client on whose behalf the deals have been done, rate and quantity of scrip bought or sold. These details are to be maintained date-wise. This register contains all the transactions, which may be of any of the kind mentioned below:

- Member-broker's own business on the Exchange.
- Member-broker's business on the Exchange on behalf of clients.
- Member-broker's business with the clients on principal-to-principal basis.
- Member-broker's business with the members of other Stock Exchanges.
- Member-broker's business on behalf of his clients with the members of other Stock Exchanges.
- Spot transactions, etc.

Register of Securities (Notice Number : 20210205-30 dated Feb 5, 2021)

e) Margin Deposit Book

The member-brokers are required to maintain a margin deposit book wherein details of all the margins deposited with the Exchange are to be recorded as per Regulation 17(1) of SEBI (Stock-brokers and Sub-brokers) Regulations, 1992.

f) Investor Grievance Register and designated e-mail ID

Members are required to maintain Investor Grievance Register for writing investor's grievances (BSE Notice No. 20070906-10 dated September 06, 2007).

SEBI vide its circular No.MRD/DoP/Dep/SE/Cir-22/06 dated December 18, 2006 advised all the members to designate e-mail IDs of their respective grievance redressal division and/or of their compliance officers exclusively for the purpose of registering complaints by investors and display such e-mail IDs and other relevant details prominently on their websites and in the various materials / pamphlets / advertisement campaigns initiated by them for creating investor awareness. (Exchange Notice No.20070131-11 dated January 31, 2007).

g) Clients Ledger

Every member-broker is required to maintain a clients' ledger in respect of all the clients registered with him. This ledger contains the details of the bills raised by the member-broker on the clients and the payment received from or made to them. Inspection of this ledger can bring out the cases of delay by a member-broker in making payment to the clients.

h) Dematerialised Securities

All member-brokers are required to open a demat accounts with their Depository Participants (DPs) for handling the receipt and delivery of client shares. In case member is also doing his own trading then, a separate demat account is required to be opened for own shares.

One account is 'Own Beneficiary Account' wherein the demat securities belonging to the member-broker for his own account are held and the other is 'Client Beneficiary Account' wherein the demat securities of the clients are temporarily held. In case of sale of securities by clients, the clients transfer the securities to the member-broker's beneficiary account (Pool Account in case of NSDL and Principal Account in case of CDSL) before the pay-in and the member-broker transfers the same from the from his account to the Clearing House on the Pay-in day. In case of purchase of securities by the clients, the Clearing House transfers the securities to the Pool Account (in case of both NSDL & CDSL) of the member-broker and the member-broker then transfers the same to the Demat Account of the respective clients. The member-brokers are required to maintain a proper record of all shares received and delivered from their demat account as well as preserve acknowledged copies of the delivery instructions given to their DP for transferring the securities from their Pool Account to the Client's Account after the Pay-Out.

In case of clients' shares lying with the member, they have to be kept in a separate Beneficiary Account and the member is required to maintain client wise segregation of the securities lying with him (Bye-law 247A).

Nevertheless, securities of clients are to be received and delivered from/to the respective beneficiary account of the client only. (Exchange Notice No. 20030903-5 dated September 3, 2003)

i) Bank Book and Cash Book.

The member-brokers are required to maintain separate bank accounts for own funds and clients' funds. Funds received from the clients and payments made to the clients should be reflected in the Client Bank Account. Client Account should be designated as Client Bank Account and the word "Client" should appear in the title of the account. For format of Bank Book refer : 20180830-31 dated August 30, 2018.

SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 provide the guidelines for implementation of Enhanced Supervision of Stockbrokers covering the uniform nomenclature to be followed by stockbrokers for Naming/Tagging of Bank and Demat Accounts and the reporting of such accounts to the Stock Exchanges/Depositories.

All fund transactions relating to member's own trading and relating to own/office expenses should be routed through Own Bank Account. Transactions other than those of clients should not be routed through Client Bank Account. Further, no overdraft facility should be availed on the Client Bank Account (Exchange Notice No. 4850/97 dated December 10, 1997).

Members should not accept any cash from clients, whether against settlement obligation or as margin for purchase of securities.

Members are to refrain from fund lending and borrowing activities, except those in connection with or incidental to the securities business. [Rule 8(1)(f) and 8(3)(f) of Securities Contract (Regulations) Rules, 1957 and SEBI circular no.SMD/POLICY/CIR-6/97 dated May 07, 1997].

No further Exposure to the client:

Point 2.6 of SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 inter alia provides that 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 pay-in.

6.2 Maintenance of client wise, scrip wise register of Securities

REGULATORY REQUIREMENTS.

1	Maintenance of books of accounts and other documents /Preservation of records	<p>Rule 15 of the Securities Contracts (Regulation) Rules, 1957 and Regulation 17 of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992, Regulation 18 of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992, , Rule 8(1)(f) and 8(3)(f) of Securities Contract (Regulations) Rules, 1957, SEBI vide Circular no. SMD/POLICY/IECG/1-97 dated February 11, 1997 and SEBI circular no.SMD/POLICY/CIR-6/97 dated May 07, 1997.</p> <p>Exchange Notice No. 20050805 -20 dated August 5, 2005, 20051227 – 18 dated December 27, 2005, 20070906-10 dated September 06, 2007, 20070131-11 dated January 31, 2007, 20030903-5 dated September 3, 2003</p>
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ITEM 7 - COMPLIANCE REQUIREMENTS

7.1 Compliance Calendar

A consolidated checklist of reports / statements / certificates / data / submissions to be made by members to the Exchange is made available at

<https://www.bseindia.com/static/members/compliancecalendar.aspx>

7.2 Enhanced Supervision of stock brokers

SEBI vide circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 provide the guidelines for implementation of Enhanced Supervision of Stockbrokers covering the following board areas: -

1. Uniform nomenclature to be followed by stockbrokers for Naming/Tagging of Bank and Demat Accounts and the reporting of such accounts to the Stock Exchanges/Depositories.
2. Monitoring of Clients' Funds lying with the Stockbroker by the Stock Exchanges, through a sophisticated alerting and reconciliation mechanism, to detect any misutilisation of clients' fund.
3. Changes in the existing system of internal audit for stockbrokers/depository participants viz. appointment, rotation of Internal Auditors, formulation of objective sample criteria, monitoring of quality of Internal Audit Reports, timeline for submissions of Internal Audit Reports, etc.
4. Monitoring of Financial Strength of Stockbrokers by Stock Exchanges to detect any signs of deteriorating financial health of stockbrokers and serve as an early warning system to take pre-emptive and remedial measures.
5. Imposition of uniform penal action on stockbrokers/depository participants by the Stock Exchanges/Depositories in the event of non-compliance with specified requirements.
6. Other Requirements:
 - a. Uploading client's funds and securities balances by Stockbrokers to Stock Exchange System and onwards transmission of the same to the clients for better transparency.
 - b. Clarification on Running Account Settlement
 - c. Providing PAN details of Directors, Key Management Personnel and Dealers, to Stock Exchanges and any change thereof.

“Trading Members are not able 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. In view of this, it is reiterated that the members shall maintain the reconciliation statement on a daily basis as prescribed and provide the same as and when sought by the relevant authority.” (Reference Exchange Notice no. Exchange Notice 20160927-41 dated September 27, 2016 and 20230309-38 dated 09 Mar 2023.)

Further clarification on reporting of securities balance under the Enhanced Supervision Framework has been provided vide Exchange notice no. 20170829-26 dated August 29, 2017 whereby it has been clarified that securities in the demat account(s) of the clients, opened with the Trading Members in their capacity as a Depository Participants or with any other Depository Participant for facilitating online trading by client is not required to be reported.

➤ **Weekly Clients' Funds lying with the Stockbroker –**

Members are required to submit the data on client's funds lying with stockbrokers on weekly basis i.e., stockbrokers shall submit the data as on last trading day of every week on or before the next three trading days.

Exchange has provided mechanism to submit the said details/data through BSE Electronic Filing System (BEFS). The Process for uploading above details is provided in exchange notice.

After members submits above return exchange tracking if there is any misuse of funds of credit balance clients for debit balance clients or for own purpose.

➤ **Submission of Holding Statement –**

Members are required to submit, Holding Statement data for all dates (Monday to Saturday) on daily from January 30, 2023 due date of which shall be January 31, 2023 and each day thereafter.

S. No.	Notice No	Subject
1.	20230113-13	Daily submissions of Holding Statement and Bank Balances
2.	20210118-31	Changes in the reporting format of data towards 'Client Level Cash & Cash Equivalent Balances' and 'Holding Statement' (System Live)
3.	20201217-54	Changes in the reporting format of data towards 'Client Level Cash & Cash Equivalent Balances' and 'Holding Statement'
4.	20200930-66	Disciplinary actions for Incorrect/ Wrong submission of data towards Holding Statement
5.	20200731-25	Clarifications on submission of Holding Statement

➤ **Reporting of Client Level Cash & Cash Equivalent and Bank account Balances**

SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 on Enhanced supervision of Stockbrokers requires Stockbrokers to report client fund and securities balances on monthly basis.

With a view to enhance the level of monitoring and considering the prohibition on pledging of client securities for raising funds, the format & the mode of submission was revised.

Members are required to Bank Balances for each day of the week (except Sunday) daily from January 30, 2023 due date of which shall be January 31, 2023 and each day thereafter.

The relevant notices issued by the Exchange in this regard are as under:

S. No	Notice No	Subject
1.	20230113-13	Daily submissions of Holding Statement and Bank Balances
2.	20210118-31	Changes in the reporting format of data towards 'Client Level Cash & Cash Equivalent Balances' and 'Holding Statement' (System Live)
3.	20201217-54	Changes in the reporting format of data towards 'Client Level Cash & Cash Equivalent Balances' and 'Holding Statement'

➤ **Submission by stockbrokers with proper naming and tagging of Bank and Demat Accounts and the reporting of such accounts to the Exchange is required to be done.**

➤ **Financial Indicators data submission as per Enhanced Supervision Document (ESD)**

This data is to be submitted every year and it is to be submitted in BEFS under Risk Based Supervision

S. No.	Notice No	Subject
1	20170925-1	Financial Indicators data submission as per Enhanced Supervision Document (ESD)

Submissions of Financial Indicators are required to be made online in electronic format through BEFS Portal by September 30, 2020. The path to the Financial Indicator Entry screen is BEFS >> Risk Based Supervision >> Financial Indicators Entry tab.

In case of any queries, members may reach us at bse.rbs@bseindia.com

➤ **Miscellaneous**

Further SEBI has issued a circular No. CIR/HO/MIRSD/MIRSD2/CIR/PB/2017/107, dated September 25, 2017 and Exchange notice no. 20170925-34 dated September 25, 2017 on Clarification to Enhanced Supervision Circular wherein it is stated that:

S. No.	Particular	Notice No.
1	Enhanced supervision of stock brokers	Exchange Notice Nos. 20160927-41 dated September 27, 2016, 20161020-17 dated October 20, 2016, 20161027-1 October 27, 2016, 20161122-24, November 22, 2016, 20161221-20 dated December 21, 2016, 20170623-14 dated June 23, 2017 and 20170925-34 dated September 25, 2017
2	Details of Bank and Demat Account	Exchange Notice No. 20161017-17 dated October 17, 2016
3	Monitoring of Clients' Funds lying with the Stock Broker	Exchange Notice Nos. 20170512-15 dated May 12, 2017 and 20170925-34 dated September 25, 2017
4	Uploading client's funds and securities balances	Exchange Notice Nos. 20170426-24 dated April 26, 2017 and 20170925-34 dated September 25, 2017
5	Updating of PAN details of dealers	Exchange Notice Nos. 20161214-4 December 14, 2016, 20161215-6 dated December 15, 2017 and 20161226-5 dated December 26, 2016.

1) Stock brokers are required to upload the data pertaining to "Monitoring of Clients' Funds lying with the Stock Broker by the Stock Exchanges" on monthly basis before the next three trading days of the preceding month.

2) The Stock Broker shall not be required to upload data with respect to custodian settled clients and client with zero funds and securities zero balances and also not traded in the last 12 months.

7.3 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 Inspection module in the Member portal.

The procedure for submitting the information through BEFS (BSE Electronic Filing System) is given in the notice 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 has decided to seek 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. Trading members shall submit updated/ fresh undertaking/authorisation to the Exchange within seven working days of opening of any new bank account.

This has reference to Exchange notice nos. 20201106-46, 20201127-14 and 20201218-63 dated November 06, 2020, November 27, 2020 and December 18, 2020 on Guidelines for maintaining client bank accounts by the Trading Members wherein trading members were advised to close the excess bank accounts named as "Name of Stock Broker - Client Account" by December 31, 2020.

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."

Exchange vide notice nos. 20220203-42 dated February 03, 2022, 20220316-9 dated March 16, 2022, 20220412-30 dated April 12, 2022, has prescribed that 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 empaneled 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.”

Further, members shall submit updated/ fresh confirmation to the Exchange within seven working days of opening of any new client bank account. 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. In consultation with Stock Exchanges and Depositories, 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:

- I. All demat accounts of stock brokers which are untagged need to be appropriately tagged by June 30, 2022.
- II. Credit of securities shall not be allowed in any demat account left untagged from July 01, 2022 onwards. Credits on account of corporate actions shall be permitted.
- III. Debit of securities shall also not be allowed in any demat account left untagged from August 01, 2022.
- IV. Stock Broker shall obtain permission from Stock Exchanges to allow tagging of such demat accounts from August 01, 2022 onwards. Stock Exchange shall grant such approval within two working days after imposing penalty as per their internal policy.

Members are advised to display details of all their active client bank accounts on their website which are reported to Exchange in accordance with Exchange notice no. 20160927-41 dated September 27, 2016 on

Enhanced Supervision of Stock Brokers. Details of client banks accounts to be displayed on 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 banks 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 Stock Exchanges on their website under “Know/ Locate your Stock Broker” Members were advised to implement the provisions of the notice by March 15, 2023. (Reference BSE notice no. 20230127-42 dated 27 Jan 2023 subject Display of Details of Client Bank Accounts on Website)

7.4 Submission of data for monitoring of clients’ funds lying with the stock broker – Cash and Cash Equivalent Submission

Members’ attention is drawn to Exchange circular 20200210-48 dated December 17, 2020 regarding Changes in the reporting format of data towards ‘Client Level Cash & Cash Equivalent Balances’ and ‘Holding Statement’

This has reference to the Exchange notice no. 20200210-47 dated February 10, 2020 wherein Members were 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 were 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.

Exchange, in order to enable members to upload details of such accounts has introduced two columns in the reporting formats of existing submission ‘Cash & Cash Equivalent balances’ as provided in Exchange notice no. 20200210-48 dated December 17, 2020, and 20210115-2 dated January 15, 2021. Further, in order to capture the details of cash collateral collected from client for MTF positions, one column has also been added. Revised format provided in Exchange notice no. 20211213-49 dated December 13, 2021 has been made applicable for the week ending on January 15, 2022, and onwards.

7.5 Application Programming Interface (API) for Weekly submission of Holding Statement, Cash and Cash Equivalent Balances and Bank Balances

Exchange vide Notice No. 20220602-43 dated June 2, 2022 and Notice no. 20220715-15 dated July 15, 2022 regarding Application Programming Interface (API) for weekly submission of Holding Statement, Cash and Cash Equivalent Balances and Bank Balances. The functionality for Application Programming Interface (API) for weekly submissions was made applicable from the week ended July 16, 2022, and onwards.

Exchange vide notice Download Ref No. 20220526-6 dated May 26, 2022, 20220602-43 dated June 02, 2022, 20220624-43 dated June 24, 2022 and 20220715-15 dated July 15 2022 has introduced Application Programming Interface (API) for Weekly submission of Holding Statement, Cash and Cash Equivalent Balances and Bank Balances and the same has been mandatorily made applicable from week July 16, 2022 and onwards, the due date of which will be July 21, 2022, and for each week thereafter.

With a view to enhance monitoring of client assets on continuous basis, it has been decided to revise the frequency of submission of Holding statement and Bank balances from weekly to daily and accordingly, member shall make the submission of Holding Statement and Bank Balances for each day of the week (except Sunday) daily from January 30, 2023, due date of which shall be January 31, 2023 and each day thereafter. (Reference Notice No. 20230113-13 dated 13 Jan 2023, subject, Daily submissions of Holding Statement and Bank Balances)

7.6 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.

7.7 Internal Audit of trading members.

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

All the stock brokers/trading 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 and Management Accountants who are in practice and who do not have any conflict of interest.

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.

Members are required to submit the internal audit report and internal audit certificate along with management comments for negative observations, if any with the BSE within two months from the end of the relevant half yearly period i.e The half yearly internal audit is required to be carried out for the period from April to September & October to March. Internal Audit report to Stock Exchanges for half year ending September 30th has to be submitted by November 30th and half year ending March 31st to be submitted by May 31st. The internal audit report is required to be submitted to the BSE in electronic form through BEFS as per the format prescribed by the BSE.

The minimum sample size required to be verified for the internal audit is prescribed by the BSE and it needs to be adhered to. Whenever any negative observation is reported by the auditor, the management of the member is required to give their comments on the negative observation. The audit report is required to be submitted by the auditor to the member, who will place it before the board for its consideration and then shall forward it to the BSE. Further, the quality of internal audit reports received from members shall be monitored and appropriate steps shall be taken if the reports do not meet minimum expected quality levels. In case where internal audit report submitted is incomplete and not as per the guidelines like only certificate submitted without report or management comments not given etc., same would be treated as non-submission of internal audit report. Members are strictly advised to submit the report in the format prescribed by the Exchange.

Refer to the Exchange notice no. 20220601-52 dated June 1, 2022 wherein all members were informed that with an objective to improve regulatory compliances, the penalty structure has been revised.

Members may note that non/delay in submission of Internal Audit shall be treated as non-compliance and under mentioned charges shall be levied :

Due time for submission: 2 Months

7.7.1 For 1st month after due date, Fine of Rs. 2500/- per day

7.7.2 Charges of Rs. 5000/ per day from 2nd week after due date.

7.7.3 In case of non-submission within three weeks from the due date of submission, new client registration to be prohibited and notice of 7 days for disablement of trading facility till submission of data/report. The disablement notice issued to the member shall be shared with all the Exchanges for information.

In case of non-submission within four weeks from the due date of submission, Member shall be disabled in all segments till submission of data/report

Revision in penalty for adverse observations in the Internal Audit Report:

In order to bring parity between the action of adverse observations reported by Internal Auditor during the half yearly submission and observation during the course of inspection, the Penalty Framework as provided in Exchange notice no. 20180214-31 dated February 14, 2018, and other relevant circulars issued from time to time shall be applicable for such adverse observations in the Internal Audit Report.

7.8 System Audit of Stock Brokers / Trading members

Pursuant to SEBI circular no. CIR/MRD/DMS/34/2013 dated November 6, 2013 and Exchange notice no. 20131107-6 dated November 7, 2013, and 20170403-16 dated April 03, 2017 on the Annual System Audit of Stock Brokers / Trading members.

The Trading Members are required to note the following:

I. PERIODICITY OF SUBMISSION OF SYSTEM AUDIT REPORT

System Audit of stock brokers should be conducted with the following periodicity:

- a. Annual system audit is prescribed for stock brokers who satisfy any of the following criteria:
 - i. Stock Brokers who use Intermediate Messaging Layer (IML) / Internet Based Trading (IBT)/ Direct Market Access (DMA)/ Securities Trading using Wireless Technology (STWT) / Smart Order Routing (SOR) and have presence in more than 10 locations or number of terminals are more than 50.
 - ii. Stock Brokers who are depository participants or are involved in offering any other financial services.
 - b. Half yearly system audit has been prescribed for stock brokers who use Algorithmic Trading or provide their clients with the facility of Algorithmic Trading as per SEBI Circular CIR/MRD/16/2013 dated May 21, 2013.
 - c. For all other stock brokers, system audit shall be conducted once in two years.
- ##### **II. TERMS OF REFERENCE (ToR)**

The audit shall be conducted in accordance with the Norms, Terms of Reference (ToR) and Guidelines issued by SEBI and BSE Ltd. Separate ToRs are specified for the following categories of brokers:

- a. Type I Broker:** Brokers who trade only through exchange provided terminals i.e. BOLT system. (ToR as per Annexure I)
- b. Type II Broker:** Brokers who trade through API based trading terminals like [IML] or IBT/DMA/STWT or SOR facility and who may also be TYPE I Brokers. (TOR as per Annexure II)
- c. Type III Broker:** Brokers who use Algorithmic Trading facility to trade and who may also be TYPE II Brokers. (TOR as per Annexure III).

The broker type, terms of reference and periodicity of submission is given below in tabular form for easy reference of members and for members to determine their broker type and periodicity of submission of report which is required:

S. No.	Particulars	Broker Type	Terms of Reference (ToR)	Presence of broker	Periodicity of submission of report
1.	BOLT users	I	Annexure 1	NA	Once in two years
	BOLT users who are depository participants or involved in offering any other financial services				
2	IML / IBT / DMA / STWT / SOR users and who may also be type I brokers.	II	Annexure II	Presence in not more than 10 locations and number of terminals are not more than 50.	Once in two years. *
				Presence in more than 10 locations or number of terminals are more than 50.	Annual
3	Algo users and who may also be type II brokers	III	Annexure III		NA

* Annual, if depository participant or is involved in offering any other financial services Members who are using NOW / FOW, will be considered as Broker type II

AUDITOR SELECTION NORMS:

The System Audit should be carried out by auditor as per the norms prescribed below:

- i. The Auditor shall have minimum 3 years of experience in IT audit of securities market participants e.g.

stock exchanges, clearing corporations, depositories, stock brokers, depository participants etc. The audit experience should cover all the major areas mentioned under Terms of Reference (ToR) of the system audit specified by SEBI / stock exchange.

ii. It is recommended that resources employed shall have relevant industry recognized certifications e.g. D.I.S.A. (ICAI) Qualification , CISA (Certified Information System Auditor) from ISACA, CISM (Certified Information Securities Manager) from ISACA, CISSP (Certified Information Systems Security Professional) from International Information Systems Security Certification Consortium, commonly known as (ISC).

iii. The Auditor should have experience of IT audit/governance frameworks and processes conforming to industry leading practices like CobIT.

iv. The Auditor shall not have any conflict of interest in conducting fair, objective and independent audit of the Stock Broker. Further, the directors / partners of Auditor firm shall not be related to any stock broker including its directors or promoters either directly or indirectly.

v. The Auditor shall not have any cases pending against its previous audited companies/firms, which fall under SEBI's jurisdiction, which point to its incompetence and/or unsuitability to perform the audit task.

vi. A declaration stating that the auditor is in compliance with the requirements prescribed by SEBI vide

Particulars	Action
Submission within 1 month from the end of due date of submission.	Penalty of Rs. 200/- per day
Submission after 1 month but within 3 months from the end of the due date for submission.	Penalty of Rs. 500/- per day
Non-Submission within 3 months from the end of due date for submission.	<p>Disablement of trading facility across segments after giving 2 weeks' notice.</p> <p>Disablement notice issued to the member shall be shared with all the Exchanges for information.</p> <p>Member will be enabled only after submission of system audit report.</p>

its circular no. CIR/MRD/DMS/34/2013 dated November 6, 2013 and clarifications / guidelines issued by SEBI / BSE must be included in all the audit reports.

vii. The Auditor may perform a maximum of 3 successive audits of the stock broker. Follow-on audits conducted by the auditor shall not be considered in the successive audits. The count of such audits will commence from audits conducted for period ended March 31, 2014.

The following penalty/disciplinary actions would be initiated against the Member for late/non- submission of System Audit Report.

After submission of preliminary system audit report, members are required to submit the corrective action report (if applicable) and follow on report (if applicable) as per above mentioned notices.

“Members who are providing algorithmic trading services/strategies as well as Members who feature in any of the unregulated platforms offering such services are advised to refrain from undertaking the following:

- a. Directly or indirectly make any reference to the past or expected future return/performance of the algorithm; and / or
- b. Directly or indirectly associate with any platform providing any reference to the past or expected future return/performance of the algorithm.
- c. Members who are directly/indirectly referring to any past or expected future return/performance of an algorithm or are associated with any platform providing such reference, shall remove the same from their website and / or disassociate themselves from the platforms providing such references, as the case may be, within seven days i.e. by September 09, 2022.

(Reference Notice no. 20220907-46 dated 07 Sep 2022, subject Performance/return claimed by unregulated platforms offering algorithmic strategies for trading.)

7.9 Cyber Security & Cyber Resilience framework for Stock Brokers.

Pursuant to SEBI circular SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018 and SEBI/HO/MIRSD/DOP/CIR/P/2019/109 dated October 15, 2019 on Cyber Security & Cyber Resilience framework for Stock Brokers / Depository Participants and Exchange circular no. 20191022-27 dated October 22, 2019, members are required to submit the f Cyber Security and Cyber Resilience to the Exchange.

As per SEBI Circular SEBI Circular dated October 15, 2019 , the periodicity of audit for the compliance with the provisions of Cyber Security and Cyber Resilience provisions for stock brokers, irrespective of number of terminals and location presence, shall be as under:

Type of stock broker as specified in SEBI circular CIR/MRD/DMS/34/2013 dated November 06, 2013	Periodicity
Type I	Annual
Type II Using IML / IBT / DMA / STWT / SOR	Annual
Type III Using ALGO	Half-yearly

Submission of Cyber Security & Cyber Resilience Audit Report shall be considered completed only after trading member submits the report to the Exchange after providing management comments.

The following penalty/disciplinary actions would be initiated against the Member for late/non- submission of Cyber Security and Cyber Resilience Audit Report.

Particulars	Action
Submission within 1 month from the end of due date of submission.	Penalty of Rs. 200/- per day
Submission after 1 month but within 3 months from the end of the due date for submission.	Penalty of Rs. 500/- per day
Non-Submission within 3 months from the end of due date for submission.	<p>Disablement of trading facility across segments after giving 2 weeks' notice.</p> <p>Disablement notice issued to the member shall be shared with all the Exchanges for information.</p> <p>Member will be enabled only after submission of Cyber Security and Cyber Resilience Audit Report.</p>

Quarterly reporting:

sSEBI circular's SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018, para 52 in Annexure I states that -

“Quarterly reports containing information on cyber-attacks and threats experienced by Stock Brokers / Depository Participants and measures taken to mitigate vulnerabilities, threats and attacks including information on bugs / vulnerabilities / threats that may be useful for other Stock Brokers / Depository Participants should be submitted to Stock Exchanges / Depositories. “

In view of the above, members are required to submit the quarterly incident reporting as per the format provided by notice no. SEBI/HO/MIRSD/DOP/CIR/P/2019/109 dated October 15, 2019 by sending at email at cybersecurityreporting@bseindia.com within 15 days of the end of quarter.

As per SEBI's directive, and as per Exchange notice no. 20210430-20 dated April 30, 2021 and 20220919-2 dated September 19, 2022, all Members shall prepare and maintain a Standard Operating Procedure (SOP) with respect to handling of Cyber Security incidents as indicated below:

1. Members shall have a well-documented Cyber Security incident handling process document (Standard Operating Procedure - SOP) in place. Such policy shall be approved by Board of the Member (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 shall be reviewed annually by the “Internal Technology Committee” as constituted under SEBI circular SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03,

2018, for review of Security and Cyber Resilience policy.

2. Members shall examine the Cyber Security incident and classify the Cyber Security incidents into High/ Medium/ Low as per their Cyber Security incident handling process document. The Cyber Security incident handling process document shall define decision on Action/ Response for the Cyber Security incident based on severity.

3. Members shall report the Cyber Security incident to Indian Computer Emergency Response Team (CERT-In) in accordance with the guidelines / directions issued by CERT-In from time to time. Additionally, the Members, whose systems have been identified as “Protected system” by National Critical Information Infrastructure Protection Centre (NCIIPC) shall also report the incident to NCIIPC.

4. Members shall provide the reference details of the reported Cyber Security incident with CERTIn to the Exchange and SEBI. Members shall also provide details, regarding whether CERT-In team is in touch with the Member for any assistance on the reported Cyber Security incident. If the Cyber Security incident is not reported to CERT-In, members shall submit the reasons for the same to the Exchange and SEBI. Members shall communicate with CERT-In/ Ministry of Home Affairs (MHA)/ Cyber Security Cell of Police for further assistance on the reported Cyber Security incident.

5. Members shall submit details whether Cyber Security incident has been registered as a complaint with law enforcement agencies such as Police or its Cyber Security cell. If yes, details need to be provided to Exchange and SEBI. If no, then the reason for not registering complaint shall also be provided to Exchange and SEBI.

6. The details of the reported Cyber Security incident and submission to various agencies by the Members shall also be submitted to Division Chiefs (in-charge of divisions at the time of submission) of DOS-MIRSD and CISO of SEBI.

7. The Designated Officer of the Member (appointed in terms of para 6 of the aforementioned SEBI Circular dated December 03, 2018) shall continue to report any unusual activities and events, all Cyber-attacks, threats, cyber-incidents and breaches experienced by Members to Exchange (in manner specified by BSE) & SEBI (on the dedicated email ID sbdp-cyberincidents@sebi.gov.in) within 6 hours of noticing / detecting such incidents or being brought to the notice about such incidents as well as submit the quarterly reports containing the information on cyber-attacks, threats, cyber-incidents and breaches experienced by Stock Brokers and measures taken to mitigate vulnerabilities, threats and attacks including information on bugs / vulnerabilities, threats that may be useful for other Stock Brokers / Depository Participants / Exchanges / Depositories and SEBI shall be submitted to Stock Exchanges within 15 days after the end of the respective quarter in the manner as specified by BSE from time to time.

SEBI vide its circular No. SEBI/HO/MIRSD/TDP/P/CIR/2022/80 dated June 07, 2022, wherein they have provided partial modification to Annexure – 1 of SEBI Circular dated December 03, 2018 (paragraph 11, 41, 42 and 44). As per modified paragraph 42 & 44, Stock Brokers shall conduct the VAPT at least once in a financial year by engaging only CERT-In empaneled organizations for conducting VAPT and submit the VAPT report to the Stock Exchanges after approval from Technology Committee of respective Stock

Brokers, within 1 month of completion of VAPT activity as per the scope defined in modified para 11 & 41 of Annexure – 1 of SEBI Circular dated December 03, 2018. Stock Exchanges in consultation with SEBI, clarified that the VAPT shall be carried out and completed during the period September to November of every financial year and the final report on said VAPT shall be required to be submitted to the Stock Exchanges within one month from the date of completion of VAPT after approval from Technology Committee of respective Stock Brokers vide Exchange notice no. 20220919-2 dated September 19, 2022.

In addition, Stockbrokers shall perform vulnerability scanning and conduct penetration testing prior to the commissioning of a new system which is a critical system or part of an existing critical system. Further, any gaps / vulnerabilities detected shall be remedied on immediate basis and compliance of closure of findings identified during VAPT shall be submitted to the Stock Exchanges within 3 months post the submission of final VAPT report.

Exchange vide its notice no. 20221208-43 dated December 08, 2022, has informed that it has developed a separate module on BEFS (BSE Electronic Filing System), to facilitate members for electronic submission of VAPT report to Exchange. Members are requested to take note of the following for submission of VAPT report: -

- i. The detailed VAPT report along with summary of report (as per format specified in Annexure – 1 of aforesaid circular) needs to be uploaded as single document. The VAPT report shall be digitally signed by CERT-In empaneled entity as appointed by the Member for conducting the VAPT. The guidelines for submitting the report on the electronic interface is given in Annexure – 2 of aforesaid circular.
- ii. The link for submission of VAPT report has been activated. All VAPT reports for FY2022-23 and onwards shall henceforth be submitted electronically on the interface as mentioned under Annexure – 2 of aforesaid circular.
- iii. Further, as per para 44 of SEBI Circular No. SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018 amended vide SEBI Circular No. SEBI/HO/MIRSD/TPD/P/CIR/2022/80 dated June 07, 2022 requires that any gaps / vulnerabilities detected shall be remedied on immediate basis and compliance of closure of findings identified during VAPT shall be submitted to the Stock Exchanges within 3 months post the submission of final VAPT report.
- iv. For any open vulnerabilities as reported & submitted in VAPT report, members are required to submit Compliance Report in the format attached as Annexure – 3 of aforesaid circular digitally signed by the CERT-In empaneled entity as appointed by the Member (on the letter head of the CERT-In empaneled entity).
- v. In view of the above, Members are advised as under:
 - a) Adherence with the reporting timelines for submission of VAPT report and Compliance report to the Exchange.
 - b) Ensure that all open gaps / vulnerabilities are closed within prescribed timelines and are accordingly confirmed in the Compliance report.

7.10 Software as a service (SAAS)

This is with reference to SEBI circular dated November 03,2020 (attached) on Advisory for Financial Sector Organizations Regarding Software as a Service (SaaS) based solutions. In this context, SEBI has sought the Members who are using such SaaS based solutions.

7.11 Adoption of Cloud Services

This circular is a stand-alone framework for adoption of cloud services, applicable to all the Regulated Entities (REs).

The principles included in the framework are:

- a. Governance, Risk and Compliance Sub-Framework
- b. Selection of Cloud Service Providers
- c. Data Ownership and Data Localization
- d. Responsibility of the Regulated Entity
- e. Due Diligence by the Regulated Entity
- f. Security Controls
- g. Contractual and Regulatory Obligations
- h. BCP, Disaster Recovery & Cyber Resilience
- i. Vendor Lock-in and Concentration Risk Management

The major points to consider:

1. Applicable for Public and Community cloud services.
2. For the cloud services in use, compliance to the circular should be achieved within 12 months from the date of issuance of the circular based on the milestones set by SEBI.
3. Data Ownership and Data Localization - The data should reside/be processed within the legal boundaries of India.
4. Cloud services shall be taken only from the Ministry of Electronics and Information Technology (MeitY) empanelled CSPs and holding a valid Standardisation Testing and Quality Control [STQC] (or any other equivalent agency appointed by Government of India) audit status.
5. The reporting of compliance shall be done in the systems audit, cybersecurity audit and VAPT reports, and it shall be done in the standardized format notified by SEBI.
6. Whenever required (by RE/ SEBI), the CSP shall provide visibility to RE as well as SEBI into CSP's infrastructure and processes, and its compliance to applicable policies and regulations issued by SEBI/ Government of India/ respective state government.
7. In view of the fact that a CSP is not a RE, the RE shall continue to have ultimate responsibility and liability for any violation of the laws, rules, regulations, circulars, etc. issued by SEBI or any other authority under any law, regardless of any delineation/ demarcation of responsibilities envisaged.
8. A proper due diligence process should be established to assess the capabilities and suitability of a cloud service provider before the engagement.

9. A new approach for secure software development shall be implemented by RE for dealing with cloud native development concepts.
10. Session encryption or data object encryption in addition to the encryption provided at the platform level (Ex. TLS encryption) shall be used wherever any sensitive data is in transit.
11. The backup and recovery processes shall be checked at least twice in a year to ensure the adequacy of the backups.
12. The backup shall be logically segregated from production/dev/UAT environment to ensure that the malware infection in such systems does not percolate to backup environment.
13. The contractual/agreement terms between RE and CSP shall include the provisions for audit, and information access rights to the RE as well as SEBI for the purpose of performing due diligence and carrying out supervisory reviews.
14. RE shall also include provisions (in the contract/ agreement with CSP) mandating that CSP extends full cooperation to SEBI.
15. In the event of any CSP deployed by an RE losing its empanelment status with MeitY/ commits a passive breach of contract/ agreement in any way, the RE shall ensure that it becomes compliant with this framework within 6 (six) months of being notified of/ discovering the breach.
16. RE shall develop a viable and effective contingency plan to cope with situations involving a disruption/ shutdown of cloud services.
17. REs are solely accountable for all aspects related to the cloud services adopted by them including but not limited to availability of cloud applications, confidentiality, integrity and security of their data and logs, and ensuring RE's compliance with respect to the applicable laws, rules, regulations, circulars, etc.
18. The contractual/agreement terms between RE and CSP shall include the provisions for audit, and information access rights to the RE as well as SEBI, for the purpose of performing due diligence and carrying out supervisory reviews.
19. Managed Service Provider (MSP) or System Integrator (SI) being involved in procurement of cloud services, an explicit and unambiguous delineation/ demarcation of responsibilities shall also be done with respect to MSP/ SI, and the same shall be included in the agreement.
20. The RE shall ensure that availability of records to the RE and the supervising authority are not affected under any circumstances, even in case of liquidation of the CSP.
21. The RE shall have a robust grievance redressal mechanism, which in no way shall be compromised on account of cloud adoption i.e., responsibility and accountability for redressal of investors'/ members' grievances related to cloud on boarded services shall rest with the RE.

7.12 Cybersecurity Regulated Entities

This circular is a stand-alone advisory related to the best practices for Cyber Security recommended by Computer Security Incident Response Team-Finance Sector (CSIRT-Fin). The circular is applicable to all the Regulated Entities (REs) of SEBI from the finance sector.

- A. Compliance of the advisory along with the cybersecurity audit report to SEBI needs to be submitted as per the existing reporting mechanism and frequency of the respective cybersecurity audit.
- B. SEBI advises the REs to implement the recommendations published in the circular. The advisory covers points such as:

1. Reporting of Phishing websites detected in the cyberspace of the organization to CSIRT-Fin/CERT-In.
2. Practices for Patch management and adherence to SEBI regulations for Vulnerability Assessment and Penetration Testing.
3. Log collection of all systems and its retention as per SEBI regulations, guidelines issued by CERT-In and IT Act 2000.
4. Controls for user enumeration and authentication using strong password policy and using multifactor authentication for all internet facing facilities.
5. Adoption of 'least privilege' approach to restrict privilege escalation.
6. Evaluation of concentration risk while outsourcing multiple critical services to the same small non-financial organization.
7. Encryption of data while in transit and at rest as an effective measure for data protection, backup and restoration.
8. Strengthening the security of the cloud services and avoid leakage of data from the same.
9. Cyber security controls for securing the network and infrastructure of the organization.

7.13 Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by market intermediaries.

SEBI has issued a circular no. SEBI/HO/MIRSD/DOS2/CIR/P/2019/10 dated January 4, 2019 regarding "Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by market intermediaries"

With effect from quarter ending March 2019, all registered Stock Brokers / Depository Participant are required to submit the details as per form (Annexure A) of the above mentioned SEBI circular and make submissions on quarterly basis within 15 calendar days of the expiry of the quarter, through BEFS.

7.14 Risk Based Supervision

As communicated vide Exchange notice no. 20141209-1 dated December 09, 2014, SEBI/Exchanges had put in place a system of "Risk Based Supervision" of Members in order to regulate the marketplace effectively and strengthen its regulatory framework.

Risk Based Supervision Model follows four distinct steps

- Assessing the risk posed by a market entity,
- Assigning 'risk and impact rating' to it,
- Determine the supervisory risk rating score
- Adopt a suitable supervisory approach.

In this regard, SEBI has formulated a Risk Assessment template in consultation with Stock Exchanges and various Member Associations, Member risk is calculated based on the information available with Exchange and details submitted by members to Exchange. The submission is to be made electronically

through BEFS only and no physical copies need to be submitted to the Exchange.

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.

“In order to ascertain the adherence to the AML/CFT norms and evaluate the implementation & effectiveness of measures to combat money laundering and terrorist financing, SEBI has advised the Exchanges to collate data/information from the Members relating to client risk categorisation & due diligence, ML/TF risk assessment, Alert Generation System, conduct of AML/CFT related trainings, BO identification, record keeping etc. of all the active Members who have executed trades in a FY.” Accordingly, Members are required to submit Internal Risk Assessment via BEFS portal, under Internal Risk Assessment - IRA Submission.

Regulatory Reference/ Requirements:

S. No	Particular	Notices and other details
1	Compliance Calendar	BSE - Activity Diary
2	Enhanced Supervision of stock brokers	Exchange Notice Nos. 20160927-41 dated September 27, 2016, 20161020-17 dated October 20, 2016, 20161027-1 October 27, 2016, 20161122-24, November 22, 2016, 20161221-20 dated December 21, 2016, 20170623-14 dated June 23, 2017 and 20170925-34 dated September 25, 2017.
3	Guidelines for maintaining bank accounts and Reporting of Bank & Demat Accounts	20201106-46 dated November 06, 2020, 20201127-14 dated November 27, 2020, 20201218-63 dated December 18, 2020, 20220203-42 dated February 03, 2022, 20220316-9 dated March 16, 2022 and 20220412-30 dated April 12, 2022.
S. No	Particular	Notices and other details
4	Submission of data for monitoring of clients' funds lying with the stock broker – Cash and Cash Equivalent Submission	20200210-47 dated February 10, 2020, 20200210-48 dated December 17, 2020, 20210115-2 dated January 15, 2021 and 20211213-49 dated December 13, 2021.

5	Application Programming Interface (API) for Weekly submission of Holding Statement, Cash and Cash Equivalent Balances and Bank Balances	20220526-6 dated May 26, 2022, 20220602-43 dated June 02, 2022, 20220624-43 dated June 24, 2022 and 20220715-15 dated July 15 2022
6	Submission of Designated Director details to FIU-IND and Registration on FIU-IND's FINnet Gateway.	Exchange notice no. 20140313-5 dated March 13, 2014, 20140603-17 dated June 3, 2017 and 20140708-7 dated July 8, 2014. Exchange Notice No. 20140811-4 dated August 11, 2014, 20220527-56 dated May 27, 2022, 20220912-63 dated September 12, 2022 and 20221107-50 dated November 7, 2022
7	Internal Audit of trading members	Exchange Notice nos. 20201030-34 dated October 30, 2020.
8	System Audit of trading members	SEBI circular no. CIR/MRD/DMS/34/2013 dated November 6, 2013 and Exchange notice no. 20201027-46 dated October 27, 2020.
9	Cyber Security Audit and Resilience report	SEBI circular no. SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018 and SEBI/HO/MIRSD/DOP/CIR/P/2019/109 dated October 15, 2019 and Exchange notice no. 20201203-36 dated December 3, 2020
10	Risk Based Supervision	Exchange Notice Nos. 20141209-1 dated December 09, 2014, 20170517-13 dated May 17, 2017, 20170531-1 dated May 17, 2017 and 20170929-28 dated September 29, 2017
11	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 4, 2019 and Exchange notice no. 20190107-8 dated January 7, 2019

7.15 Maintenance of a website by stock brokers.

Exchange vide its notice no. 20230216-42 dated February 16, 2023. We draw your attention to SEBI circular ref. no: SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/30 dated February 15, 2023, regarding Maintenance of a website by stock brokers and depository participants.

1. SEBI, through various circulars, has mandated certain information to be published by stock brokers (SB) /depository participants (DP) on their respective websites.

2. A designated website brings in transparency and helps the investors to keep themselves well informed about the various activities of the SB/DP. In view of the same, considering the advancement in technology and need to provide better services to the investors, all SBs and DPs are hereby, mandated to maintain a designated website.
3. Such website shall mandatorily display the following information, 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 Authorized Persons.
4. The URL to the website of a SB/ DP shall be reported to the stock exchanges/depositories within a week of this circular coming into effect. Any modification in the URL shall be reported to stock exchanges/depositories within 3 days of such changes.
5. The provisions of this circular shall come into effect from August 16, 2023.
6. The stock exchanges and depositories are directed to:
 - a. Bring the provisions of this circular to the notice of stock brokers and depository participants, as the case may be, and also disseminate the same on their websites;
 - b. Make amendments to the relevant byelaws, rules, and regulations for the implementation of the above provisions.
 - c. Communicate to SEBI, the status of the implementation of the provisions of this circular in their monthly development report and
 - d. Monitor compliance of this circular and submit a compliance report to SEBI in this regard by August 31, 2023.
7. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

7.16 Responsibilities on Qualified Stock Brokers (OSB)

Exchange vide its notice no. 20230303-66 dated March 03, 2023. SEBI, vide Gazette Notification dated January 17, 2023, amended the SEBI (Stock Brokers) Regulations, 1992 for designating certain stock brokers as QSBs. Subsequently, 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.

Accordingly, on the basis of the parameters defined in the aforesaid circular, the list of designated Qualified Stockbrokers (QSBs) is enclosed herewith as Annexure A (list is in alphabetical order and is not indicative of ranking). These QSBs shall be required to meet enhanced obligations and discharge additional responsibilities. Enhanced monitoring of QSBs shall be carried out by all Exchanges w.e.f. July 01, 2023.

Exchange shall issue separate notice on Operating guidelines/comprehensive framework for carrying out enhanced monitoring of Qualified Stock Brokers (QSBs).

Notice No	Subject
20230206-48	Enhanced obligations and responsibilities on Qualified Stock Brokers (QSBs)
20230207-3	Enhanced obligations and responsibilities on Qualified Stock Brokers (QSBs)

List of Stock Brokers designated as Qualified Stock Brokers is in alphabetical order and is not indicative of ranking.

S. No.	Name of the Stock Brokers
1	5PAISA CAPITAL LIMITED
2	ANAND RATHI SHARE AND STOCK BROKERS LIMITED
3	ANGEL ONE LIMITED
4	GLOBE CAPITAL MARKET LIMITED
5	HDFC SECURITIES LTD.
6	ICICI SECURITIES LIMITED
7	IIFL SECURITIES LIMITED
8	JAINAM BROKING LIMITED
9	KOTAK SECURITIES LTD
10	MOTILAL OSWAL FINANCIAL SERVICES LIMITED
11	NEXTBILLION TECHNOLOGY PRIVATE LIMITED
12	NUVAMA WEALTH AND INVESTMENT LIMITED
13	RKSV SECURITIES INDIA PRIVATE LIMITED
14	SHAREKHAN LTD.
15	ZERODHA BROKING LIMITED

ITEM 8 - APPLICABLE FINE STRUCTURE

8.1 List of common violations and applicable penalties (All Segments)

Based on the findings during inspections conducted in the past and review of the commonly observed compliance issues, grouping of violations and the penalties thereof have been revised. Penalties are indicative in nature and could undergo change in specific cases depending on frequency and gravity of the violations. Actions in respect of violations having high impact would be dealt on case to case basis depending on seriousness and gravity of such violations.

Further to the above, details include:

- I) list of common violations and the applicable penalties as decided by the relevant authority.
- II) Details of escalation of penalties in case of repeat violations observed (during inspections conducted in last three financial years)

Members are hereby required to take preventive steps to avoid the violations and to put systems and procedures in place so as to ensure compliance with the applicable requirements.

8.2 Revision in Charges/Penalty norms

To ensure strict compliance with SEBI orders debarring entity / entities from accessing securities market, members may note that for the violation observed in case of members dealing on behalf of SEBI debarred entity / entities, Exchange has decided to levy an indicative penalty of 0.25% of gross traded value of the transactions entered into by a member on behalf of debarred entity / entities subject to a minimum of Rs 50,000/-

Members are hereby advised to take preventive steps to avoid the violation of dealing with SEBI debarred entity/entities and to put systems and procedures in place so as to ensure compliance with various Rules, Bye-laws & Regulations of the Exchange, notices / circulars issued by the Exchange in addition to the directions given by SEBI/Exchange, in this regard.

8.3 Indicative list of penalties/actions

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

REGULATORY REQUIREMENTS.

S. No.	Particular	Notice Nos.
1	List of common violations and applicable penalties (All Segments)	Exchange notice number 20180214-31 dated February 14, 2018.
2	Revised Penalty Structure for Cash Dealings by Stock Brokers	Exchange Notice No.20181106-14 dated November 06, 2018
3	Indicative Penalty Structure for Margin Trading	Exchange Notice No.20181227-20 dated December 27, 2018
4	Penalty structure related to the provisions of Handling of Clients' Securities by Trading Members	Exchange Notice No.20200228-63 dated February 28, 2020
5	Penalty Structure for Cyber Security and Cyber Resilience Audit of Trading Members	Exchange Notice No.20200428-36 dated April 28, 2020
6	Disciplinary actions for incorrect/wrong submission of data towards Holding Statement	Exchange Notice No.20200930-66 dated September 30, 2020
7	Penalty structures for Late/Non submission of data towards undertaking to freeze the bank account	Exchange Notice No.20201217-1 dated December 17, 2020
8	Penalty structures for Non-closure of Client Collateral / Client Margin Trading Securities demat accounts	Exchange Notice No.20201221-46 dated December 21, 2020
9	Penalty structure for Non closure of bank account named as "Stock Broker - Client Account" in excess of 30 by December 31, 2020	Exchange Notice No.20210211-24 dated February 11, 2021

S. No.	Particular	Notice Nos.
10	Penalty structure for Non-issuance of 'Statement of Accounts' for funds, securities and commodities on weekly basis to clients	Exchange Notice No.20210927-47 dated September 27, 2021
11	Penalty structure for incorrect submission of Client Level Holding Statement, Cash & Cash Equivalent Balances and Bank Account Balances by members	Exchange Notice No.20210927-48 dated September 27, 2021
12	Penalty/Disciplinary action for delay in submission of Internal Audit Report and adverse observations in the Internal Audit Report	Exchange Notice No.20220601-52 dated June 01, 2022.

ITEM 9 - CONFLICTS OF INTEREST

9.1 General Guidelines for dealing with Conflicts of Interest of Intermediaries, Recognized Stock Exchanges, Recognized Clearing Corporations, Depositories and their Associated Persons in Securities Market.

SEBI has decided to put in place comprehensive guidelines to collectively cover Intermediaries, Recognized Stock Exchanges, Recognized Clearing Corporations, Depositories (hereinafter collectively referred to as "such entities") and their associated persons, for elimination of their conflict of interest. Such entities shall adhere to these guidelines for avoiding or dealing with or managing conflict of interest.

For the purpose of these guidelines "intermediaries" and "associated persons" have the same meaning as defined in Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007. Following are the abstract of these guidelines.

Such entities and their associated persons shall,

- i. lay down, with active involvement of senior management, policies and internal procedures to identify and avoid or to deal or manage actual or potential conflict of interest, develop an internal code of conduct governing operations and formulate standards of appropriate conduct in the performance of their activities, and ensure to communicate such policies, procedures and code to all concerned;
- ii. at all times maintain high standards of integrity in the conduct of their business;
- iii. ensure fair treatment of their clients and not discriminate amongst them;
- iv. ensure that their personal interest does not, at any time conflict with their duty to their clients and client's interest always takes primacy in their advice, investment decisions and transactions;
- v. make appropriate disclosure to the clients of possible source or potential areas of conflict of interest which would impair their ability to render fair, objective and unbiased services;
- vi. endeavor to reduce opportunities for conflict through prescriptive measures such as through information barriers to block or hinder the flow of information from one department/ unit to another, etc.;
- vii. place appropriate restrictions on transactions in securities while handling a mandate of issuer or client in respect of such security so as to avoid any conflict;
- viii. not deal in securities while in possession of material non published information;
- ix. not to communicate the material non published information while dealing in securities on behalf of others;
- x. not in any way contribute to manipulate the demand for or supply of securities in the market or to influence prices of securities;
- xi. not have an incentive structure that encourages sale of products not suiting the risk profile of their clients;
- xii. not share information received from clients or pertaining to them, obtained as a result of their dealings, for their personal interest;

The Boards of such entities shall put in place systems for implementation of the guidelines and provide necessary guidance enabling identification, elimination or management of conflict of interest situations.

Such entities shall conduct assessment of their existing policies on conflict of interest in a time bound manner, not later than 6 months from the date of the circular and bring them in line with the requirements of these guidelines.

REGULATORY REQUIREMENTS:

S. No.	Particular	Notice
1	General Guidelines for dealing with Conflicts of Interest of Intermediaries, Recognised Stock Exchanges, Recognised Clearing Corporations, Depositories and their Associated Persons in Securities Market.	SEBI circular No. CIR/MIRSD/5/2013 dated August 27, 2013; Exchange Notice No. 20130904-6 dated. September 4, 2013

ITEM 10 – ANTI MONEY LAUNDERING PROVISIONS (PMLA)

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.

10.1 Guidelines on Prevention of Money Laundering Standards

Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force w.e.f. July 01, 2005. The Guidelines on Prevention of Money Laundering Standards, inter-alia require the members to :

- Appoint Principal Officer & informed to FIU-India.
- Appointment of Designated Director and upload a copy of intimation letter to FIU-India on BEFS. The Designated Director means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under PMLA.
- Have documented procedures to implement the Anti Money Laundering provisions as envisaged under Prevention of Money Laundering Act, 2002.
- Ensure Client Due Diligence Process
 - Policy for acceptance of clients.
 - Procedure for identifying the clients.
 - Risk Management.
 - Monitoring of Transactions.
- Classify clients into high, medium & low risk categories as per the risk perceived.
- Documentation and regular updation of risk assessment. Should be made available to competent authorities and self regulating bodies.
- Have system in place for generation of alerts for identifying suspicious transactions.
- Monitor and report Suspicious Transactions (strs) to FIU-India.
- Impart training to staff & educate clients about objectives of PMLA.
- Record keeping requirement revised for a period of five years pertaining to following:
 - Transaction of clients
 - Identity of clients
 - Monitoring of transactions

- Record of information related to transactions, whether attempted or executed which are reported to Director, FIU-IND

As per PMLA guidelines, members will have to comply with following requirements.

Policy for acceptance of clients

10.2 Know Your Client (KYC)

The Know Your Client (KYC) policy should clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the member-client relationship, while carrying out transactions for the client or when the member has doubts regarding the veracity or the adequacy of previously obtained client identification data.

Member should ensure that an account is not opened where they are unable to apply appropriate clients due diligence measures / KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, information provided to the intermediary is suspected to be non genuine, perceived non co-operation of the client in providing full and complete information. No account is opened in a fictitious / benami name or on an anonymous basis.

Members should develop customer acceptance policies and procedures that aim to identify the types of customers that are likely to pose a higher than the average risk of money laundering or terrorist financing. By establishing such policies and procedures, they will be in a better position to apply customer due diligence on a risk sensitive basis depending on the type of customer business relationship or transaction.

10.3 Funds

Apart from the routine requirements of obtaining bank proof & receipt/payment of funds from the respective client's account, the members shall have to maintain records pertaining to the transactions of the value and nature prescribed as under :

- (a) all cash transactions of the value of more than Rs.10 lakhs or its equivalent in foreign currency, (b) all series of cash transactions integrally connected to each other which have been valued below Rs.10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month and (c) all suspicious transactions whether or not made in cash.

10.4 Securities

Members should obtain sufficient information in order to identify persons who beneficially own or control securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party should be identified using client identification and verification procedures.

10.5 Risk Based Approach

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

10.6 No of STR reporting to Exchange

Trading members are informed that as a part of PMLA compliance, the trading members shall be henceforth required to report the number of Suspicious Transaction Reports (STRs) filed by them with FIU-IND to the Exchange on a monthly basis.

Further, trading members are required to submit the data in the BEFS under FIU-IND – STR reporting module.

- 1) The members are required to fill details of Registration with FIU such as FIUREID, Date of registration, Principal Officer details & Designated Director details. Further, in case of change in the details submitted, members are required to update the relevant fields.
- 2) The members are required to report the no. of STR filed with FIU-IND on a monthly basis.
- 3) Further as per Exchange notice no. 20230207-14 dated February 07,2023 in terms of the PML Rules, stock brokers are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND).

10.7 List of Designated Individuals/Entities

The Ministry of Home Affairs, in pursuance of Section 35(1) of UAPA 1967, declares the list of individuals/entities, from time to time, who are designated as 'Terrorists'. The registered intermediaries shall take note of such lists of designated individuals/terrorists, as and when communicated by SEBI.

All orders under section 35 (1) and 51A of UAPA relating to funds, financial assets or economic resources or related services, circulated by SEBI from time to time shall be taken note of for compliance.

An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <https://press.un.org/en/content/press-release>. The details of the lists are as under:

i. The “ISIL (Da’esh) & Al-Qaida Sanctions List”, which includes names of individuals and entities associated with the Al-Qaida. The updated ISIL & Al-Qaida Sanctions List is available at: <https://www.un.org/securitycouncil/sanctions/1267/press-releases>.

ii. The list issued by United Security Council Resolutions 1718 of designated Individuals and Entities linked to Democratic People's Republic of Korea www.un.org/securitycouncil/sanctions/1718/press-releases.

10.8 Jurisdictions that do not or insufficiently apply the FATF Recommendations

FATF Secretariat after conclusion of each of its plenary, releases public statements and places jurisdictions under increased monitoring to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing risks. In this regard, FATF Statements circulated by SEBI from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered by the registered intermediaries.

The registered intermediaries shall take into account the risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statements. However, it shall be noted that the regulated entities are not precluded from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statements.

10.9 Procedure for freezing of funds, financial assets or economic resources or related Services Section 51A, of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the Central Government has issued an Order dated February 02, 2021 detailing the procedure for the implementation of Section 51A of the UAPA.

Under the aforementioned Section, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism. The Government is also further empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism. These guidelines have been further amended vide a Gazette Notification dated June 08, 2021.

10.10 Reporting to Financial Intelligence Unit-India

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

Director, FIU-IND,

Financial Intelligence Unit - India

6th Floor, Tower-2, Jeevan Bharati Building,

Connaught Place, New Delhi-110001, INDIA

Telephone : 91-11-23314429, 23314459

91-11-23319793(Helpdesk) Email: helpdesk@fiuindia.gov.in

(For FINnet and general queries)

ctrcell@fiuindia.gov.in

(For Reporting Entity / Principal Officer registration related queries)

complaints@fiuindia.gov.in

Website: <http://fiuindia.gov.in>

10.11 Designation of officers for ensuring compliance with provisions of PMLA

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

the 'Principal Officer' is of a sufficiently senior position and is able to discharge the function with independence and authority.

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

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

- a) the Managing Director or a Whole-Time Director duly authorized by the Board of Directors if the reporting entity is a company,
- b) the managing partner if the reporting entity is a partnership firm,
- c) the proprietor if the reporting entity is a proprietorship firm,
- d) the managing trustee if the reporting entity is a trust,
- e) a person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a body of individuals, and
- f) such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above”.

10.12 Hiring and Training of Employees and Investor Education

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

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

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

ITEM 11 – INDICATIVE LIST OF SOME OF THE PENALTIES APPLICABLE AS PER EXCHANGE NOTICES:

BSE Exchange notice no. 20180214-31 dated February 14, 2018, on Revised penalty structure applicable as per exchange notices. Further Exchange has issued various notices to inform about the revised penalty structure to the market vide following notices:

Notice No.	Subject
20180214-31	Revised penalty structure
20230403-53	Penalty Structure for Late/Non-submission of Reporting requirement on Settlement of Running Account of Clients' Funds
20230320-72	Penalty Structure for Non-display of Brokerage, Statutory & Regulatory Levies to the investors
20230310-38	Penalty Report for modification of Client Codes of non-institutional trades (All Segments)
20230301-3	Revised Penalty structure for incorrect submission of Client Level Holding Statement, Cash & Cash Equivalent Balance, and Bank Account Balances by members
20230221-5	Segregation and Monitoring of Collateral at Client Level - Penalty mechanism for Short Allocation
20230210-7	Penalty Report for modification of Client Codes of non-institutional trades (All Segments)
20230126-1	Segregation and Monitoring of Collateral at Client Level - Penalty mechanism for Short Allocation
20230106-56	Penalty structure for position limit violation in Equity Derivative and Currency Derivative segment
20221212-14	Penalty Report for modification of Client Codes of non-institutional trades (All Segments)
20221129-52	Segregation and Monitoring of Collateral at Client Level - Penalty mechanism for EOD Short Allocation
20221121-7	Penalty Structure for non-compliance w.r.t publishing of Investor Grievance Escalation
20221110-26	Penalty Report for modification of Client Codes of non-institutional trades (All Segments)
20220921-70	Segregation and Monitoring of Collateral at Client Level - Penalty mechanism for EOD Short Allocation
20220601-52	Penalty/Disciplinary action for delay in submission of Internal Audit Report and adverse observations in the Internal Audit Report
20211125-68	Segregation and Monitoring of Collateral at Client Level - Penalty
20210927-47	Penalty structure for Non-issuance of 'Statement of Accounts' for funds, securities and commodities on weekly basis to clients

20210820-3	Penalty for Repeated Delivery Default
20210817-28	Uniform penalty structure for Clearing Members
20210701-1	Penalty for not extending Best Price Execution facility to all Clients
20210629-38	Penalty for not extending Interoperability facility to all Clients.
20210430-62	Extension in timelines - Penalty for not extending Interoperability facility to all Clients
20210325-58	Penalty Structure for not extending Interoperability facility to all clients
20210324-45	Revised Penalty Structure w.r.t. Unauthorized trading determined by Grievance Redressal Committee (GRC) / Arbitration
20210211-24	Penalty structure for Non closure of bank account named as “Stock Broker - Client Account” in excess of 30 by December 31, 2020
20201223-69	Securities Lending & Borrowing – penalty norms.
20201221-46	Penalty structures for Non-closure of Client Collateral / Client Margin Trading Securities demat accounts
20201217-1	Penalty structures for Late/Non submission of data towards undertaking to freeze the bank account
20200903-46	Levy of penalty for short/ non collection of margins from clients in cash and derivative segments
20200710-44	Penalty structure related to the provisions of Handling of Clients’ Securities by Clearing Members
20200527-36	Revision of penalty norms - Market Making on SME Segment – Update
20200428-36	Penalty Structure for Cyber Security and Cyber Resilience Audit of Trading Members
20200311-51	Penalty Report for modification of Client Codes of non-institutional trades (All Segments)
20200228-63	Penalty structure related to the provisions of Handling of Clients’ Securities by Trading Members
20190328-2	Penalty norms of Equity Derivatives Segment to be applicable in Equity Cash Segment.

ITEM 12 – GUIDELINES / COMPLIANCE REQUIREMENTS

- Guidelines

Notice No	Subject
20230207-14	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.
20220902-47	Guidelines/clarifications on Margin collection & reporting
20220727-51	Implementation of Circular on 'Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011'
20220624-48	Implementation of Circular on 'Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011'
20220623-52	Guidelines/clarifications on Margin collection & reporting
20220427-34	Guidelines for maintaining bank accounts by the Trading Members (Live)
20220412-30	Guidelines for maintaining bank accounts by the Trading Members
20220412-12	Guidelines in pursuance of amendment to SEBI KYC Registration Agency (KRA) Regulations, 2011
20220316-9	Guidelines for maintaining bank accounts by the Trading Members
20220203-42	Guidelines for maintaining bank accounts by the Trading Members
20211012-54	Guidelines/Clarifications on Margin collection & reporting
20210805-36	Guidelines for execution of client transactions at the best available market price
20210205-30	Guidelines for 'Statement of Accounts' for Funds, Securities and Commodities
20201218-63	Guidelines for maintaining client bank accounts by the Trading Members
20201127-14	Guidelines for maintaining client & settlement bank accounts by the TradingMembers
20201127-12	Guidelines/clarifications on Peak Margin collection and reporting

20201106-46	Guidelines for maintaining client & settlement bank accounts by the TradingMembers
20200928-45	Guidelines/clarifications on Margin collection & reporting
20200903-1	Investor Awareness regarding the revised guidelines on margin collection
20200831-45	Guidelines/clarifications on Margin Collection & Reporting
20200731-7	Guidelines / clarifications on Margin collection & reporting
20200626-7	Guidelines for execution of client transactions at the best available market price

- Some other regulatory requirements for compliance:

1	Mode of payment and delivery **	Exchange Notice No. 20030903-5 dated September 3, 2003.
2	Receipt of funds in the form of pre-funded instruments / Electronic fund transfers	SEBI circular CIR/MIRSD/03/2011 dated June 9, 2011; Exchange Notice no. 20110610-6 dated June 10, 2011
3	Pre-paid Schemes	Exchange Notice No. 20140324-15 dated March 24, 2014
4	Prevention of Unauthorized Trading by Stock Brokers	Exchange notice no. 20170927-38 dated September 27, 2017.

- SEBI has issued a circular no. SEBI/MRD/SE/Cir- 33/2003/27/08 dated August 27, 2003, and SMD/SED/CIR/93/23321 and letter No. SMD-1/23341 dated November 18, 1993 regarding regulation of transactions between clients and brokers.

- Other Regulatory Notices / Details

20190524-46	Participation of Mutual Funds in Commodity Derivatives Market in India
20190524-45	Participation of Portfolio Managers in Commodity Derivatives Market in Indi

20200513-29	Entities permitted to undertake e-KYC Aadhaar Authentication service of UIDAI inSecurities Market
20200731-41	Mobile Number Revocation list (MNRL) published on Telecom Regulatory Authority of India (TRAI)
20201201-27	Treatment of Inactive Trading account
20200731-16	Use of digital signature certifications for authentication / certification of filings /submissions made to Stock Exchanges

In order to facilitate clients to offer physical shares for buyback in rolling settlement a new client category i.e. “BBPH” for BUYBACK PHYSICAL has been introduced in Cash segment. (Refer to Exchange Notice No. 20131001-31 dated October 1, 2013)

(Please note that Notices issued from time to time by the Exchange as per BSE Ltd. website and by SEBI on its website from time to time shall supersede the Notices / Circulars mentioned in the Master Circular for the applicable compliances required to be complied from time to time).