

**ANNEXURE A**  
**REQUIREMENTS FROM OCTOBER 26, 2009 TO DECEMBER 24, 2010**

<b>Item 1- DEALINGS WITH CLIENTS</b>		
<b>Item No.</b>	<b>Subject</b>	<b>SEBI circular No. /Download No. /Circular No.</b>
1.1	Dealings between a client and a stock broker (trading members included)	(SEBI circular MIRSD/ SE /Cir-19/2009 dated 3rd December, 2009, Exchange Download Ref. No: NSE/INSP/13606, Circular No. NSE/INSP/2009/85 dated 3rd December, 2009)
1.2	Clarification on dealings between a client and a stock broker	(Download Ref. No: NSE/INSP/14048, Circular No. NSE/INSP/2010/91 dated 3rd February, 2010)
1.3	Clarification on dealings between a client and a stock broker (Extension in the timeline)	(SEBI circular No. MIRSD/ SE /Cir-5/2010 dated 31st March, 2010, Download Ref. No: NSE/INSP/14477, Exchange Circular No. NSE/INSP/2010/94 dated 31st March 2010)
1.4	Clarification on dealings between a client and a stock broker (retention of funds/securities/margin by member)	(Download Ref. No: NSE/INSP/15008, Exchange Circular No. NSE/INSP/2010/101 June 17, 2010)
1.5	Status of Implementation - Dealings between a client and a stock broker	(Download Ref. No: NSE/INSP/14660 and Circular No. NSE/INSP/2010/98 April 27, 2010)
1.6	FAQs for NRIs on Trading Account	Download Ref. No.: NSE/INSP/16615, Exchange Circular No.: NSE/INSP/2010/110 dated December 24, 2010)

<b>Item 2 - CLIENT REGISTRATION</b>		
<b>Item No.</b>	<b>Subject</b>	<b>SEBI circular No. /Download No. /Circular No.</b>
2.1	"In-person" verification of Clients by Stock Brokers	(SEBI Circular SEBI/MIRSD/Cir. No. 02/2010 dated January 18, 2010, Exchange Download Ref. No.: NSE/INSP/13931, Exchange Circular No.: NSE/INSP/2010/90 dated 19th January, 2010)

<b>Item 3- POWER OF ATTORNEY</b>		
<b>Item No.</b>	<b>Subject</b>	<b>SEBI circular No. /Download No. /Circular No.</b>
3.1	Execution of Power of Attorney (POA) by clients in favor of stock broker / stock broker and depository participant	(SEBI circular No. CIR/MRD/DMS/13/2010 dated April 23, 2010, Download Ref. No: NSE/INSP/14646, Exchange Circular No. NSE/INSP/2010/97 dated 26th April, 2010)
3.2	Clarifications on Execution of Power of Attorney (PoA) by the Client in favour of the Stock Broker / Stock Broker and Depository Participant	(SEBI circular no CIR/MRD/DMS/28/2010 dated August 31, 2010, Download Ref. No: NSE/INSP/15598, Exchange Circular No. NSE/INSP/2010/104 dated August 31, 2010)

<b>Item 4 - BOOKS OF ACCOUNTS, RECORDS AND DOCUMENTS</b>		
<b>Item No.</b>	<b>Subject</b>	<b>SEBI circular No. /Download No. /Circular No.</b>
4.1	Preservation of Records	(SEBI circular MRD/Dop/SE/CIR-21/2009 dated December 09, 2009, Exchange Download Ref. No: NSE/INSP/13701, Exchange Circular No. NSE/INSP/2009/87 dated 16th December 2009)

<b>Item 5- INTERNAL AUDIT BY TRADING MEMBERS</b>		
<b>Item No.</b>	<b>Subject</b>	<b>SEBI circular No. /Download No. /Circular No.</b>
5.1	Master Circular on Oversight of Members (Stock Brokers/Trading Members/Clearing Members of any Segment of Stock Exchanges and Clearing Corporations)	(SEBI circular SEBI/MIRSD/Master Cir-04/2010 dated March 17, 2010, Exchange Download Ref. No: NSE/INSP/14340, Exchange Circular No. NSE/INSP/2010/93 dated 17h March 2010)
5.2	Observations made during Inspections/Reported in Internal Audit Reports	(Download Ref. No: NSE/INSP/15770, Circular No: NSE/INSP/2010/105 dated 20th September 2010)

<b>Item 6 - DISPLAY OF DETAILS BY STOCK BROKERS (INCLUDING TRADING MEMBERS)</b>		
<b>Item No.</b>	<b>Subject</b>	<b>SEBI circular No. /Download No. /Circular No.</b>
6.1	Display of details by stock brokers (including trading members) in their portal/web site, if any, notice / display boards, advertisements, publications, know your client forms, member client agreements and correspondences with clients	(SEBI circular no Cir/MIRSD/9/2010 dated November 4, 2010, Exchange Download Ref. No: NSE/INSP/16242, Exchange Circular No. NSE/INSP/2010/107 dated 8 <sup>th</sup> November 2010)

<b>Item 7 - Notification under regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007</b>		
<b>Item No.</b>	<b>Item No.</b>	<b>SEBI circular No. /Download No. /Circular No.</b>
7.1	SEBI notification no. LAD-NRO/GN/2010-11/21/29390 published in the Gazette of India on December 10, 2010 regarding the 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/2010-11/21/29390 dated December 10, 2010, Exchange Circular No: NSE/INSP/2010/109, Exchange Download No: NSE/INSP/16536

<b>Item 8 - APPLICABLE FINE STRUCTURE</b>		
<b>Item No.</b>	<b>Subject</b>	<b>SEBI circular No. /Download No. /Circular No.</b>
8.1	List of common violations and applicable penalties (CM Segment, WDM, F&O segments and CD Segment)	Download Ref. No: NSE/INSP/16616, Circular No. NSE/INSP/2010/111 dated December 24, 2010.

## **REQUIREMENTS FROM OCTOBER 26, 2009 TO DECEMBER 24, 2010**

### **Item 1**

#### **DEALINGS WITH CLIENTS**

##### **(1.1) Dealings between a client and a stock broker (trading members included)**

*(SEBI circular MIRSD/ SE /Cir-19/2009 dated 3rd December, 2009, Exchange Download Ref. No: NSE/INSP/13606, Circular No. NSE/INSP/2009/85 dated 3<sup>rd</sup> December, 2009)*

SEBI had issued circular regarding dealings between a client and a stock broker (trading members included). Illustrative Points covered in the circular are as follows:-

- Client Registration
- Running Account Authorization
- Actual settlement for funds & securities on monthly / quarterly basis
- Electronic Contract Notes

##### **(1.2) Clarification on dealings between a client and a stock broker**

*(Download Ref. No: NSE/INSP/14048, Circular No. NSE/INSP/2010/91 dated 3<sup>rd</sup> February, 2010)*

Based on various queries received from trading members, clarifications to certain requirements were stated in the circular dated February 3, 2010.

##### **(1.3) Clarification on dealings between a client and a stock broker (extension of time by 3 months)**

*(SEBI circular No. MIRSD/ SE /Cir- 5/2010 dated 31st March, 2010, Download Ref. No: NSE/INSP/14477, Exchange Circular No. NSE/INSP/2010/94 dated 31<sup>st</sup> March 2010)*

Based on the representations from market participants expressing their concern in implementation of the circular and requesting extension of time. SEBI decided to extend the time line. "The stock brokers are now directed to ensure the full compliance of the said circular dated December 3, 2009 in respect of all clients-existing and new - latest by June 30, 2010."

#### **(1.4) Clarification on dealings between a client and a stock broker**

*(Download Ref. No: NSE/INSP/15008, Exchange Circular No. NSE/INSP/2010/101 June 17, 2010)*

Attention of members is drawn to point no. 12 (d) of annexure to SEBI circular dated 3<sup>rd</sup> December 2009 regarding funds expected to be required to meet margin obligation for next 5 trading days wherein Exchange vide its circular dated February 03, 2010 had clarified that in respect of cash market transactions, trading member may retain entire pay-in obligation of funds and securities due from clients as on date of settlement.

It was further clarified that, in addition to the above, in the cash market segment, for next day's business, member may retain funds/securities/margin to the extent of value of transactions executed on the day of such settlement in the cash market only.

#### **(1.5) Status of Implementation - Dealings between a client and a stock broker**

*(Download Ref. No: NSE/INSP/14660 and Circular No. NSE/INSP/2010/98 April 27, 2010)*

SEBI vide its letter has advised the Exchange to monitor the progress in implementation of the circulars MIRSD/SE/CIR-19/2009 dated December 03, 2009 and MIRSD/SE/CIR-5/2010 dated March 31, 2010 regarding dealing between a client and a stock broker.

#### **(1.6) FAQs for NRIs on Trading Account**

*(Download Ref. No.: NSE/INSP/16615, Exchange Circular No.: NSE/INSP/2010/110 dated December 24, 2010)*

Based on representations and queries received from members, Exchange has issued frequently asked questions ([FAQs](#)) for NRI- Trading account. The same is made available in [http://www.nseindia.com/content/members/faq\\_NRI\\_TA.pdf](http://www.nseindia.com/content/members/faq_NRI_TA.pdf) .

### **Item 2**

#### **CLIENT REGISTRATION**

##### **(2.1) 'In-person' verification of Clients by Stock Brokers**

*(SEBI Circular SEBI/MIRSD/Cir. No. 02/2010 dated January 18, 2010, Exchange Download Ref. No.: NSE/INSP/13931, Exchange Circular No.: NSE/INSP/2010/90 dated January 19, 2010)*

SEBI clarified that “in-person verification done for opening beneficial owner’s accounts by Depository Participants (DP) will hold good for opening trading account by a stock broker and vice versa, if the stock broker and the DP is the same entity or if one of them is the holding or the subsidiary company of the other.

### **Item 3**

#### **POWER OF ATTORNEY**

##### **(3.1) Execution of Power of Attorney (POA) by clients in favour of stock broker / stock broker and depository participant**

*(SEBI circular No. CIR/MRD/DMS/13/2010, dated April 23, 2010, Download Ref. No: NSE/INSP/14646, Exchange Circular No. NSE/INSP/2010/97 dated April 26, 2010)*

In order to standardize the norms to be followed by stock brokers / stock broker and depository participants while obtaining Power of Attorney from clients, SEBI has issued guidelines for execution of Power of Attorney by Clients favoring Stock Brokers / Stock Broker and Depository Participants

##### **(3.2) Clarifications on Execution of Power of Attorney (PoA) by the Client in favour of the Stock Broker / Stock Broker and Depository Participant**

*(SEBI circular no CIR/MRD/DMS/28/2010 dated August 31, 2010, Download Ref. No: NSE/INSP/15598, Exchange Circular No. NSE/INSP/2010/104 dated August 31, 2010)*

Based on the examination of the issues and representation received from the market participants with respect to execution of Power of Attorney (PoA) by the client in favor of Stock Broker / Stock Broker and Depository Participant, SEBI has issued Clarification to Guidelines for execution of Power of Attorney by Clients favouring Stock Brokers / Stock Broker and Depository Participants.

### **Item 4**

#### **BOOKS OF ACCOUNTS, RECORDS AND DOCUMENTS**

##### **(4.1) Preservation of Records**

*(SEBI circular MRD/Dop/SE/CIR-21/2009 dated December 09, 2009, Exchange Download Ref. No: NSE/INSP/13701, Exchange Circular No. NSE/INSP/2009/87 dated December 16, 2009)*

Enforcement agencies like CBI, Police, Crime Branch etc. have been collecting copies of the various records/documents during the course of their investigation. The originals

of such documents maintained either in physical or in electronic form or in both would be required by such enforcement agencies during trial of the case also. If a copy is taken by such enforcement agency either from physical or electronic record then the respective original is to be maintained till the trial or investigation proceedings have concluded.

## **Item 5**

### **(5.1) Internal Audit Reports by trading members**

*(SEBI circular SEBI/MIRSD/Master Cir-04/2010 dated March 17, 2010, Exchange Download Ref. No: NSE/INSP/14340, Exchange Circular No. NSE/INSP/2010/93 dated March 17, 2010)*

SEBI has provided with an illustrative list of common violations/deficiencies observed during inspections of members.

*(Download Ref. No: NSE/INSP/15770, Circular No: NSE/INSP/2010/105 dated September 20, 2010)*

In order to increase awareness amongst the members and improve their compliance level, Exchange conducts inspections of the books and records of members. Based on the observations made during inspections and scrutiny of internal audit reports submitted by the member, Exchange listed out commonly observed areas which require attention of members for strengthening their compliance.

## **Item 6**

### **(6.1) Display of details by stock brokers (including trading members)**

*(SEBI circular no Cir/MIRSD/9/2010 dated November 4, 2010, Exchange Download Ref. No: NSE/INSP/16242, Exchange Circular No. NSE/INSP/2010/107 dated November 8, 2010).*

It is observed that a few stock brokers are using brand names / logos of their group companies in their portals, notice/display boards, advertisements, publications, correspondences with outsiders and various documents. They are either not using the names as registered with SEBI or using the brand names / logos of group companies more prominently. Thus SEBI has stated that while a stock broker may use the brand name / logo of its group companies, it must display more prominently in their portal/web site, if any, notice / display boards, advertisements, publications, know your client forms, member client agreements and correspondences with clients:

## Item 7

### **(7.1) 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/2010-11/21/29390 dated December 10, 2010, Exchange Circular No: NSE/INSP/2010/109, Exchange Download No: NSE/INSP/16536)

SEBI has stated 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:-

- (a) Assets or funds of investors or clients,
- (b) Redressal of investor grievances,
- (c) Internal control or risk management, and
- (d) Activities having a bearing on operational risk,

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

## Item 8

### **APPLICABLE FINE STRUCTURE**

#### **(8.1) List of common violations and applicable penalties (CM Segment, WDM, F&O segments and CD Segment)**

*(Download Ref. No: NSE/INSP/16616, Circular No. NSE/INSP/2010/111 dated December 24, 2010)*

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. Further, In case any violation is observed to be repetitive of violations noted during inspections conducted in the last three financial years, penalties would be escalated by 50%. Actions in respect of violations having high impact would be dealt on case to case basis depending on seriousness and gravity of such violations. It may also be noted that the list contains commonly observed violations only and that action in respect of uncommon or abnormal violations would be dealt on a case to case basis depending on the seriousness and the gravity of such violations.