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**Exhibit-1**

1. The following format has to be obtained from all clients (other than institutional clients).
2. Separate form to be obtained in respect of all clients including PMS clients.
3. All columns are to be filled in by the clients and copies of relevant supporting documents need to be attached by the clients.

**Model Know Your Client form**

**i) FORMAT FOR INDIVIDUAL CLIENT REGISTRATION FORM**

(This information is the sole property of the trading member / brokerage house and would not be disclosed to anyone unless required by law or except with the express permission of clients)

To  
Trading Member's  
Name, Address, Telephone No.,  
SEBI Registration No.

Clearing Member's  
Name, Address, Telephone No  
SEBI Registration No.  
***(Applicable for F&O and  
Currency derivatives segments)***

**Client Information**

Photograph  
Please Sign On The  
Photograph

**1. Name of the client:** \_\_\_\_\_  
(Surname) (Name) (Middle Name)

**2. Permanent Account Number (PAN):** \_\_\_\_\_

**3. Sex:** Male / Female

**4. Date of Birth:** \_\_\_\_\_(dd/mm/yyyy)

**5. Marital Status:** Married / Unmarried

**6. Residence Address:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

City: \_\_\_\_\_

Pin Code: \_\_\_\_\_

State: \_\_\_\_\_

Country: \_\_\_\_\_

Nationality: \_\_\_\_\_

Telephone Number: (Res.) \_\_\_\_\_ Fax No: \_\_\_\_\_

Residential Status: Indian / NRI / Others \_\_\_\_\_

**7. Bank and Depository Account Details**

Bank Name (through which transactions will generally be routed) \_\_\_\_\_  
\_\_\_\_\_

Branch: \_\_\_\_\_  
Address: \_\_\_\_\_  
Account No: \_\_\_\_\_  
Account Type: Savings / Current / NRI / Others: \_\_\_\_\_  
(Copy of a canceled Cheque leaf/pass book/bank statement containing name of the constituent should be submitted.)

Depository Participant Name (through which transactions will generally be routed.)

Address \_\_\_\_\_  
BO Account Number \_\_\_\_\_

**8. Occupation Details**

Occupation: Employed / Self Employed / Business Professional / House- Wife /  
Others

(Tick whichever is applicable)

**9. If Employed**

Name of Employer: \_\_\_\_\_  
Office Address: \_\_\_\_\_  
City: \_\_\_\_\_  
Pin Code: \_\_\_\_\_  
State: \_\_\_\_\_  
Country: \_\_\_\_\_  
Telephone Number (Office) : \_\_\_\_\_  
Fax No / Telex No: \_\_\_\_\_

**10. If Self Employed / Business / Professional/Others**

Name of the establishment: \_\_\_\_\_  
Office Address: \_\_\_\_\_  
City: \_\_\_\_\_  
Pin Code: \_\_\_\_\_  
State: \_\_\_\_\_  
Country: \_\_\_\_\_  
Telephone Number (Office) : \_\_\_\_\_  
Fax No / Telex No: \_\_\_\_\_

**11. Financial details of the constituent:**

Income Range (Per Annum): (Tick where applicable)  
Below Rs. 1,00,000/-  
Rs. 1,00,000/- To Rs. 5,00,000/-  
Rs. 5,00,000/- To Rs. 10,00,000/-  
Rs. 10,00,000/- To Rs. 25,00,000/-  
Above Rs.25,00,000/-

**12. Investment/Trading Experience**

No Prior Experience  
\_\_\_\_ Years in Stocks  
\_\_\_\_ Years in Derivatives  
\_\_\_\_ Years in Other investment related fields

**13. Trading Preference**

A. Stock Exchanges on which you wish to trade (if the member is registered for such Exchanges):

- 1.
- 2.
- 3.

B. Market segments you wish to trade (if the member is registered for such segment):

- 1. Capital Market Segment
- 2. F & O Segment
- 3. Debt Market Segment
- 4. Currency Derivatives Segment

**14. Whether registered with any other broker-member:** (if registered with multiple members, provide details of all)

Name of Broker: \_\_\_\_\_

Name of Exchange: \_\_\_\_\_

Client code no.(as given by the other broker): \_\_\_\_\_

**15. Details of any action taken by SEBI/Stock exchange/any other authority for violation of laws / other economic offences.**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**16. References**

Introduction: Introduced by another constituent / director or employee of trading member / any other person (please specify)

Name of the Introducer: \_\_\_\_\_  
(Surname) (Name) (Middle name)

Signature \_\_\_\_\_

PAN of introducer, if any: \_\_\_\_\_

Name and designation of the employee who interviewed the client:

Name \_\_\_\_\_

Designation \_\_\_\_\_

Signature of the employee: \_\_\_\_\_

**17. Declaration**

I hereby declare that the details furnished above are true and correct to the best of my knowledge and belief and I undertake to inform you of any changes therein immediately In case any of the above information is found to be false or untrue or misleading or misrepresenting I am aware that I may be held liable for it.

\_\_\_\_\_  
(Signature of the individual constituent)

Place: \_\_\_\_\_

Date: \_\_\_\_\_

**DOCUMENTARY REQUIREMENTS**

Copies of the following documents may be obtained after due verification with the originals thereof

**For Proof of Identity (any one of the following)**

MAPIN UID Card                      Pan No.                      Passport  
Voter ID                              Driving license  
Photo Identity card issued by Employer registered under MAPIN

**For Proof of Address (any one of the following):**

Passport                              Voter ID                      Driving license  
Bank Passbook                      Rent Agreement              Ration Card  
Flat Maintenance Bill    Telephone Bill              Electricity Bill  
Certificate issued by employer registered under MAPIN  
Insurance Policy

**For Office Purposes:**

Unique Client Code: \_\_\_\_\_

(To Be Inserted By the Trading Member)

Original documents

Verified By \_\_\_\_\_

Authorised By: \_\_\_\_\_

Date: \_\_\_\_\_

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ii) **FORMAT OF THE CLIENT REGISTRATION FORM FOR CORPORATES, FIRMS AND OTHERS**

(This information is the sole property of the trading member / brokerage house and would not be disclosed to anyone unless required by law or in case of express permission of clients)

To  
TRADING MEMBER'S  
Name, Address, Telephone No.,  
SEBI Registration No.

CLEARING MEMBER'S  
Name, Address, Telephone No.,  
SEBI Registration No.

***(Applicable for F&O and  
Currency derivatives segments)***

1. **Name of the Company / Firm:** \_\_\_\_\_  
2. **Constitution** \_\_\_\_\_  
3. **Registered Office address:** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

City: \_\_\_\_\_  
Pin Code: \_\_\_\_\_  
State: \_\_\_\_\_  
Phone number(s): \_\_\_\_\_  
Fax number(s) : \_\_\_\_\_

4. **Address for correspondence:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

City: \_\_\_\_\_  
Pin Code: \_\_\_\_\_  
State: \_\_\_\_\_  
Phone number(s): \_\_\_\_\_  
Fax number(s): \_\_\_\_\_

5. **Date of incorporation /formation:** \_\_\_\_\_  
6. **Date of commencement of business:** \_\_\_\_\_  
7. **Nature of Business:** \_\_\_\_\_

8. **Registration number** \_\_\_\_\_  
(with ROC, SEBI or any government authority)

9. **Details of PAN Account Number:** \_\_\_\_\_

**10. Names of Promoters / Partners / Karta and residential address**

1. \_\_\_\_\_  
2. \_\_\_\_\_  
3. \_\_\_\_\_  
4. \_\_\_\_\_  
5. \_\_\_\_\_

**11. Names of whole time directors and residential address**

1. \_\_\_\_\_  
2. \_\_\_\_\_  
3. \_\_\_\_\_

- 4. \_\_\_\_\_
- 5. \_\_\_\_\_

**12. Names and Designation of persons authorized to deal in securities/ derivatives/ currency derivatives on behalf of the company / firm / others and their residential address**

- 1. \_\_\_\_\_
- 2. \_\_\_\_\_
- 3. \_\_\_\_\_
- 4. \_\_\_\_\_
- 5. \_\_\_\_\_

**13. Details of any action taken by SEBI/Stock exchange/any other authority against the constituent or its partners / promoters / whole time directors / authorized persons in charge of dealing in equities/ F&O / currency derivatives for violation of laws / other economic offences.**

**14. Bank and Depository Account Details**

Bank Name (through which transactions will generally be routed): \_\_\_\_\_

Branch: \_\_\_\_\_

Address: \_\_\_\_\_

Account No: \_\_\_\_\_

Account Type: \_\_\_\_\_

*(Copy of a canceled Cheque leaf/pass book/bank statement containing name of the constituent should be submitted)*

**15. Depository Participant Name** (through which securities will be routed): \_\_\_\_\_

Address: \_\_\_\_\_

B.O Account Number: \_\_\_\_\_

**16. Investment/Trading Experience**

No Prior Experience

\_\_\_ Years in Stocks

\_\_\_ Years in Derivatives

\_\_\_ Years in Other investment related fields

**17. Trading Preference:**

A. Stock Exchanges on which you wish to trade (if the member is registered for such Exchanges):

1.

2.

3.

B. Market segments you wish to trade (if the member is registered for such segment):

1. Capital Market Segment

2. F & O Segment

3. Debt Market Segment

4. Currency Derivatives Segment

**18. Whether registered with any other broker-member:** (if registered with multiple members, provide details of all)

Name of Broker: \_\_\_\_\_

Name of Exchange: \_\_\_\_\_

Client code no. (as given by the broker): \_\_\_\_\_

**19. References**

Introduction: Introduced by another constituent / director or employee of trading member / any other person (please specify)

Name of the Introducer: \_\_\_\_\_  
 (Surname) (Name) (Middle name)

Signature \_\_\_\_\_  
 PAN of introducer, if any: \_\_\_\_\_

Name and designation of the employee who interviewed the client:

Name \_\_\_\_\_  
 Designation \_\_\_\_\_  
 Signature of the employee: \_\_\_\_\_

**20. Declaration**

I / We hereby declare that the details furnished above are true and correct to the best of my / our knowledge and belief and I / We undertake to inform you of any changes therein immediately. In case any of the above information is found to be false or untrue or misleading or misrepresenting I am / We are aware that I / We may be held liable for it.

Signature of Authorised Signatory (with company seal)

Name: \_\_\_\_\_  
 Place: \_\_\_\_\_  
 Date: \_\_\_\_\_

**DOCUMENTARY REQUIREMENTS**

Copies of the following documents may be obtained after due verification with the originals thereof

1. Copies of the balance sheet for the last 2 financial years (copies of annual balance sheet to be submitted every year)
2. Copy of latest share holding pattern including list of all those holding more than 5% in the share capital of the company, duly certified by the company secretary / Whole – time director / MD. (copy of updated shareholding pattern to be submitted every year)
3. Copies of the Memorandum and Articles of Association in case of a company / body incorporate / partnership deed in case of a partnership firm
4. Copy of the Resolution of board of directors approving participation in equity / F&O / currency derivatives / debt trading and naming authorized persons for dealing in the same.
5. Photographs of Partners / Whole time directors, individual promoters holding 5% or more, either directly or indirectly, in the shareholding of the company and of persons authorized to deal in equity / F&O / currency derivatives / debt.

**For Office Purposes:**

Unique Client Code: \_\_\_\_\_  
 (To Be Inserted By the Trading Member)

Original documents

Verified By \_\_\_\_\_ Authorised By: \_\_\_\_\_



Date: \_\_\_\_\_

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## Model Member Constituent Agreement

### iii) **FORMAT OF MODEL AGREEMENT BETWEEN TRADING MEMBER & CLIENT**

This agreement is made and executed at ..... this ..... day of ..... 20\_\_ between:

Mr./Ms/M/s. \_\_\_\_\_, an individual / a sole proprietary concern / a partnership firm / a body corporate, registered / incorporated under the provisions of the Indian Partnership Act, 1932 / the Companies Act, 1956, being a member of the \_\_\_\_\_ Stock Exchange (hereinafter called "the Exchange"), and having his / her / its registered office at ..... (hereinafter called "the trading member") which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include himself in the capacity of a trading member while trading in the Capital Market/ F&O / Currency Derivatives Segment, his/her heirs, executors, administrators and legal representatives/the partners for the time being of the said firm, the survivor or survivors of them and their respective heirs, executors, administrators and legal representatives/its successors, as the case may be, of the One Part;

**And**

Mr./Ms/M/s....., an individual/a sole proprietary concern/a partnership firm/a body corporate, registered/incorporated, under the provisions of the Indian Partnership Act, 1932/the Companies Act, 1956, having his/her/its residence/registered office at ..... (hereinafter called "the client") which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include his/her heirs, executors, administrators and legal representatives/the partners for the time being of the said firm, the survivor or survivors of them and their respective heirs, executors, administrators and legal representatives/its successors, as the case may be, of the Other Part;

Whereas the trading member is registered as the trading member of the Exchange with SEBI registration number \_\_\_\_\_ in the Capital Market segment; SEBI registration number \_\_\_\_\_ in the F&O Segment and SEBI registration number \_\_\_\_\_ in the Currency Derivatives Segment.

Whereas the client is desirous of investing/trading in those securities/ F&O contracts / currency derivatives contracts other instruments admitted to dealings on the Exchange as defined in the Rules, Byelaws and Regulations of the Exchange and circulars issued there under from time to time.

Whereas the client has satisfied itself of the capacity of the trading member to deal in securities and / or F&O contracts / currency derivatives contracts and wishes to execute its orders through the trading member and the client shall from time to time continue to satisfy itself of such capability of the trading member before executing orders through the trading member.

Whereas the trading member has satisfied and shall continuously satisfy itself about the genuineness and financial soundness of the client and investment / trading objectives relevant to the services to be provided; and

Whereas the trading member has taken steps and shall take steps to make the client aware of the precise nature of the trading member's liability for business to be conducted, including any limitations, the liability and the capacity in which the trading member acts.

Whereas the trading member and the client agree to be bound by all the Rules, Byelaws and Regulations of the Exchange and circulars issued there under and Rules and Regulations of SEBI and relevant notifications of Government authorities as may be in force from time to time.

Now, therefore, in consideration of the mutual understanding as set forth in this agreement, the parties thereto have agreed to the following terms and conditions:

1. The client agrees to immediately notify the trading member in writing if there is any change in the information in the 'client registration form' provided by the client to the trading member at the time of opening of the account or at any time thereafter.

2. The trading member declares that it has brought the contents of the risk disclosure document to the notice of client and made him aware of the significance of the said document. The client agrees that:

- a. He has read and understood the risks involved in trading on a stock exchange.
- b. He shall be wholly responsible for all his decisions and trades.
- c. The failure of the client to understand the risks involved shall not render a contract as void or voidable and the client shall be and shall continue to be responsible for all the risks and consequences for entering into trades in the segment
- d. He is liable to pay applicable initial margins, withholding margins, special margins or such other margins as are considered necessary by the trading member or the Exchange or as may be directed by SEBI from time to time as applicable to the segment. The trading member is permitted in its sole and absolute discretion to collect additional margins (even though not required by the Exchange, Clearing House / Clearing Corporation or SEBI) and the client shall be obliged to pay such margins within the stipulated time.
- e. Payment of margins by the client does not necessarily imply complete satisfaction of all dues. In spite of consistently having paid margins, the client may, on the closing of its trade, be obliged to pay (or entitled to receive) such further sums as the contract may dictate / require.

3. The Client agrees to pay to the trading member brokerage and statutory levies as are prevailing from time to time and as they apply to the Client's account, transactions and to the services that trading member renders to the Client. The trading member agrees that it shall not charge brokerage more than the maximum brokerage permissible as per the rules, regulations and bye -laws of the relevant stock exchange / SEBI.

4. The client agrees to abide by the exposure limits, if any, set by the trading member or by the Exchange or Clearing Corporation or SEBI from time to time.

5. Without prejudice to the trading member's other rights (including the right to refer a matter to arbitration), the trading member shall be entitled to liquidate / close out all or any of the client's positions for non-payment of margins or other amounts, outstanding debts, etc. and adjust the proceeds of such liquidation / close out, if any, against the client's liabilities / obligations. Any and all losses and financial charges on account of such liquidation/closing-out shall be charged to and borne by the client.

6. The trading member agrees that the money / securities deposited by the client shall be kept in a separate account, distinct from his / its own account or account of any other client and shall not be used by the trading member for himself / itself or for any other client or for any purpose other than the purposes mentioned in SEBI Rules and Regulations circulars / guidelines / Exchange's Rules / Regulations / Byelaws and circulars.

7. The client agrees to immediately furnish information to the trading member in writing, if any winding up petition or insolvency petition has been filed or any winding up or insolvency order or decree or award is passed against him or if any litigation which may have material bearing on his capacity has been filed against him.

8. The trading member agrees to inform the client and keep him apprised about trading / settlement cycles, delivery / payment schedules, any changes therein from time to time, and it shall be the responsibility in turn of the client to comply with such schedules / procedures of the stock exchange.

9. In the event of death or insolvency of the client or his / its otherwise becoming incapable of receiving and paying for any contracts which the client has ordered to be bought or sold, or of delivering or transferring securities, the trading member may close out the transaction of the client and claim losses, if any, against the estate of the client. The client or his successors, heirs and assigns shall be entitled to any surplus which may result there from.

10. The trading member agrees that it shall co-operate in redressing grievances of the client in respect of transactions routed through it and in removing objections for bad delivery of shares, rectification of bad delivery, etc. in respect of shares and securities delivered/to be delivered or received/to be received by the client.

11. The trading member shall continue to be responsible for replacing bad deliveries of the client in accordance with applicable "Good & bad delivery norms" even after termination of the agreement and shall be entitled to recover any loss incurred by him in such connection from the client.

12. The trading member shall ensure due protection to the client regarding client's rights to dividends, rights or bonus shares, etc. in respect of transactions routed through it and it shall not do anything which is likely to harm the interest of the client with whom and for whom it may have had transactions in securities.

13. The client and the trading member agree to refer any claims and / or disputes to arbitration as per the Rules, Byelaws and Regulations of the Exchange and circulars issued there under as may be in force from time to time.

14. The trading member hereby agrees that he shall ensure faster settlement of any arbitration proceedings arising out of the transactions entered into between him and the client and that he shall be liable to implement the arbitration awards made in such proceedings.

15. Information about default in payment / delivery and related aspects by a client shall be brought to the notice of the relevant stock Exchange(s). In case where defaulting client is a corporate entity / partnership / proprietary firm or any other artificial legal entity, then the name(s) of director(s) / promoter(s) / Partner(s) / proprietor as the case may be, shall also be communicated to the relevant stock exchange(s).

16. The trading member and the client agree to reconcile their accounts at the end of each quarter with reference to all the settlements where payouts have been declared during the quarter.

17. The trading member and the client agree to abide by any award passed by the Ombudsman under the SEBI (Ombudsman) Regulations, 2003.

18. The trading member and the client declare and agree that the transactions executed on the Exchange are subject to Rules, Byelaws and Regulations and circulars issued there under of the Exchange and all parties to such trade shall have submitted to the jurisdiction of such court as may be specified by the Byelaws and Regulations of the Exchange for the purpose of giving effect to the provisions of the Rules, Byelaws and Regulations of the Exchange and the circulars issued there under.

19. The instructions issued by an authorized representative, if any, of the client shall be binding on the client in accordance with the letter authorizing the said representative to deal on behalf of the said client.

20. Where the Exchange cancels trade(s) suo-moto all such trades including the trade/s done on behalf of the client shall ipso facto stand cancelled.

21. This agreement shall forthwith terminate; if the trading member for any reason ceases to be a member of the stock exchange including cessation of membership by reason of the trading member's default, death, resignation or expulsion or if the certificate issued by the Board is cancelled.

22. The trading member and the client shall be entitled to terminate this agreement without giving any reasons to the other party, after giving notice in writing of not less than one month to the other parties. Notwithstanding any such termination, all rights, liabilities and obligations of the parties arising out of or in respect of transactions entered into prior to the termination of this agreement shall continue to subsist and vest in / be binding on the respective parties or his / its respective heirs, executors, administrators, legal representatives or successors, as the case may be.

23. In addition to the specific rights set out in this Agreement, the trading member and the client shall be entitled to exercise any other rights which the trading member or the client may have under the Rules, Bye-laws and Regulations of the Exchange and circulars issued there under or Rules and Regulations of SEBI.

24. Words and expressions which are used in this Agreement, but which are not defined herein shall, unless the context otherwise requires, have the same meaning as assigned thereto in the Rules, Byelaws and Regulations of the Exchange and circulars issued there under.

25. The provisions of this agreement shall always be subject to Government notifications, any rules, regulations, guidelines and circulars issued by SEBI and Rules, Regulations and Bye laws of the relevant stock exchange that may be in force from time to time.

26. The trading member hereby undertakes to maintain the details of the client as mentioned in the client registration form or any other information pertaining to the client in confidence and that it shall not disclose the same to any person / authority except as required under any law / regulatory requirements; Provided however that the trading member may so disclose information about its his client to any person or authority with the express permission of the client.

This agreement can be altered, amended and /or modified by the parties mutually in writing without derogating from the contents of this Agreement.

Provided however, if the rights and obligations of the parties hereto are altered by virtue of change in Rules and regulations of SEBI or Bye-laws, Rules and Regulations of the relevant stock Exchange, such changes shall be deemed to have been

incorporated herein in modification of the rights and obligations of the parties mentioned in this agreement.

IN WITNESS THEREOF the parties to the Agreement have caused these presents to be executed as of the day and year first above written.

The client's Signature /  
Authorised Signatory:  
Signed by:  
Title:  
Name of the client:  
Witness:  
1.  
2.

The trading member's Signature /  
Authorised Signatory:  
Signed by:  
Title:  
Name of the trading member:  
Witness:  
1.  
2.

Note: All references to the specific quantity/rate/fee mentioned in this agreement are subject to change from time to time, as so agreed to in writing between the parties.

iv)

**FORMAT OF MODEL TRIPARTITE AGREEMENT BETWEEN TRADING MEMBER, SUB-BROKER AND CLIENT**

This Agreement (hereinafter referred to as "Agreement") is entered into on this \_\_\_\_ day of \_\_\_\_\_ 20\_\_, by and between \_\_\_\_\_ (name of the trading member) (hereinafter referred to as "the trading member"), a .....(*type of entity*) and having his/its office/registered office at .....( *address* ), which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include his/her heirs, executors, administrators and legal representatives/the partners for the time being of the said entity, the survivor or survivors of them and their respective heirs, executors, administrators and legal representatives/its successors, as the case may be, of the One Part;

**AND**

\_\_\_\_\_ (name of the sub- broker) (hereinafter referred to as "the sub-broker"), a ..... (*type of entity*) and having his/its office/registered office at ..... (*address*), which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include his/her heirs, executors, administrators and legal representatives/the partners for the time being of the said entity, the survivor or survivors of them and their respective heirs, executors, administrators and legal representatives/its successors, as the case may be, of the Second Part;

**AND**

\_\_\_\_\_ (name of the client of the sub-broker) (hereinafter referred to as "the client"), an individual/a ..... (*type of entity*) and having his /its residence/office/ at ..... (*address*) which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include his/her heirs, executors, administrators and legal representatives/the partners for the time being of the said entity, the survivor or survivors of them and their respective heirs, executors, administrators and legal representatives/its successors, as the case may be, of the Third Part;

**WHEREAS**

1. The trading member states that it is engaged, in the business of stock broking and is a Member of \_\_\_\_\_ (Name of stock exchange/s), (hereinafter referred to as "the stock exchange") with SEBI registration Number(s) \_\_\_\_\_

2. The sub-broker states that:

- a) The sub broker is recognized by \_\_\_\_\_ {Name of the stock exchange (s)} as a sub- broker affiliated to the trading member of the stock exchange with sub- broker SEBI registration Number (s)\_\_\_\_\_.
- b) The sub -broker is not affiliated to any other member of the same stock exchange,
- c) The sub-broker has the necessary infrastructure like adequate office space, equipment and manpower to effectively discharge his/its activities.

3. The Client is registered with the sub-broker as a client for purpose of availing broking services through the sub -broker affiliated to the trading member and is desirous of investing/trading in those securities/contracts/other instruments admitted to dealings on the Exchange as defined in the Rules, Byelaws and Regulations of the Exchange and circulars issued there under from time to time. A copy of the Client

Registration form is annexed hereto.

4. Whereas the trading member has satisfied and shall continuously satisfy itself about the genuineness and financial soundness of the client and investment objectives relevant to the services to be provided; and

5. Whereas the trading member has taken steps and shall take steps to make the client aware of the precise nature of the Trading member's/sub broker's liability for business to be conducted, including any limitations, the liability and the capacity in which the trading member/sub broker acts.

**NOW THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED BY AND BETWEEN TRADING MEMBER, SUB-BROKER AND CLIENT AS UNDER:**

1. The trading member and sub broker hereby acknowledge and confirm that the sub-broker is affiliated to the trading member and that the sub-broker shall within the scope of the authority given under these presents, be entitled to act as a 'sub- broker' within the meaning and subject to SEBI (Stock Brokers and Sub -Brokers) Rules, 1992 and SEBI (Stock Brokers and Sub-Brokers) Regulations 1992 (hereinafter referred to as the said "Rules" and "Regulations" respectively) as amended from time to time, for assisting the client in buying, selling or dealing in securities through the trading member.

2. The trading member, the sub-broker and the client agree that they shall abide by all the statutory responsibilities and obligations imposed on them by the rules, regulations and / or any other rules or regulations applicable to the trading member, the sub-broker and the client in general either framed by SEBI or by the relevant stock exchange /clearing corporation and/or any Government Circulars.

3. The trading member and the sub broker declare that they have brought the contents of the risk disclosure document to the notice of client and made him aware of the significance of the said document. The client agrees that:

- a. He has read and understood the risks involved in trading on a stock exchange.
- b. He shall be wholly responsible for all his investment decisions and trades.
- c. The failure of the client to understand the risk involved shall not render a contract as void or voidable and the client shall be and shall continue to be responsible for all the risks and consequences for entering into trades in the segments in which the client chose to trade.
- d. He is liable to pay applicable initial margins, withholding margins, special margins or such other margins as are considered necessary by the trading member or the Exchange or as may be directed by SEBI from time to time as applicable to the segment(s) in which the client trades. The trading member is permitted in its sole and absolute discretion to collect additional margins (even though not required by the Exchange, Clearing House/Clearing Corporation or SEBI) and the client shall be obliged to pay such margins within the stipulated time.
- e. Payment of margins by the client does not necessarily imply complete satisfaction of all dues. In spite of consistently having paid margins, the client may, on the closing of its trade, be obliged to pay (or entitled to receive) such further sums as the contract may dictate/require.

4. The Client agrees to pay to the trading member brokerage and statutory levies as are prevailing from time to time and as they apply to the Client's account, transactions and to the services that trading member \ the sub-broker renders to the Client. The trading member agrees that it shall not charge brokerage more than the maximum brokerage permissible as per the rules, regulations and bye - laws of the relevant stock exchange/SEBI.



5. The trading member and the sub broker agree that they shall co-operate and help each other in redressing grievances of the client in respect of transactions routed through them and in removing objections for bad delivery of shares, rectification of bad delivery, etc. in respect of shares and securities delivered/to be delivered or received/to be received by the clients of sub-broker from the member and vice-versa.
6. The trading member shall continue to be responsible for replacing bad deliveries of the client in accordance with applicable "Good & bad delivery norms" even after termination of the agreement and shall be entitled to recover any loss incurred by him in such connection from the client.
7. The trading member agrees that the money/securities deposited by the client shall be kept in a separate account, distinct from his/its own account or account of any other client and shall not be used by the trading member for himself/itself or for any other client or for any purpose other than the purposes mentioned in SEBI Rules and Regulations circulars/ guidelines/Exchanges Rules/Regulations/Bye-laws and circulars.
8. The trading member and the sub-broker agree that each of them shall ensure due protection to the client regarding client's rights to dividends, rights or bonus shares, etc. in respect of transactions routed through them and they shall not jointly or severally do anything which is likely to harm the interest of the client with whom and for whom they may have had transactions in securities.
9. The trading member agrees to inform the sub-broker/client and keep them apprised about trading/settlement cycles, delivery/payment schedules, any changes therein from time to time, and it shall be the responsibility in turn of the sub-broker/client to comply with such schedules/procedures of the relevant stock exchange.
10. The sub broker will provide assistance to trading member and client to reconcile their accounts at the end of each quarter with reference to all the settlements where payouts have been declared during the quarter.
11. The trading member shall issue, individually for each client of his sub broker, contract notes in the format prescribed by the relevant stock exchange. The sub-broker shall render necessary assistance to his client in obtaining the contract note from the trading member.
12. The trading member, the sub-broker and the client agree to abide by any award passed by the Ombudsman under the SEBI (Ombudsman) Regulations, 2003.
13. The client and the trading member agree to refer any claims and/or disputes to arbitration as per the Rules, Byelaws and Regulations of the Exchange and circulars issued there under as may be in force from time to time.
14. The trading member and the sub-broker hereby agree that they will assist and cooperate with each other in ensuring faster settlement of any arbitration proceedings arising out of the transactions entered into between them vis-à-vis the client and they shall be jointly or severally liable to implement the arbitration awards made in such proceedings. In case of an award against a sub broker, if the sub broker fails to implement the award, the trading member shall be liable to implement the same and would be entitled to recover the same from the sub broker.
15. The trading member and the sub-broker hereby agree that all transactions in

securities on behalf of the clients of the sub-broker shall be settled by delivery and/or payment, between the trading member and the client in accordance with the provisions of rules, bye -laws and regulations of the relevant stock exchange on which the transactions took place and subject to the procedures for settlement of transactions laid down by the relevant stock exchange from time to time.

16. Information about default in payment/delivery and related aspects by a client, including that of a sub broker as a client shall be brought to the notice of the relevant stock Exchange(s) by the trading member. In case where defaulting sub broker/client is a corporate entity/partnership/proprietary firm or any other artificial legal entity, then the name(s) of director(s)/ promoter(s)/ Partner(s)/proprietor as the case may be, shall also be communicated to the relevant stock exchange(s) by the trading member.

17. The trading member, the sub- broker or the client shall be entitled to terminate this agreement without giving any reasons to the other party, after giving notice in writing of not less than one month to the other parties at their respective addresses mentioned below. Notwithstanding any such termination, all rights, liabilities and obligations of the parties arising out of or in respect of transactions entered into prior to the termination of this agreement shall continue to subsist and vest in /be binding on the respective parties or his / its respective heirs, executors, administrators, legal representatives or successors, as the case may be.

18. In the event of sub broker terminating this agreement and/or termination of the agreement with the sub broker by the trading member , for any reason whatsoever , the client shall be informed of such termination and the client shall be deemed to be the direct client of the trading member and all clauses in the agreement governing the client and trading member shall continue to be in force as it is, unless the client intimates to the trading member his/its intention to terminate the agreement by giving a notice in writing of not less than one month.

19. This agreement shall forthwith terminate;

(i) if the trading member for any reason ceases to be a member of the stock exchange including cessation of membership by reason of the trading member's default, death, resignation or expulsion or if the certificate issued by the Board is cancelled;

(ii) upon the demise/insolvency of the sub-broker or the cancellation of his/its registration with the Board or /withdrawal of recognition of the sub-broker by the stock exchange. Provided however, in such an event, the client shall be informed of such termination and the client shall be deemed to be the direct client of the trading member and all clauses in the agreement governing the client and trading member shall continue to be in force as it is, unless the client intimate to the trading member or the trading member intimates to the client his/its intention to terminate the agreement by giving one month notice in writing.

20. The provisions of this agreement shall always be subject to Government notifications, any rules, regulations, guidelines and circulars issued by SEBI and Rules, Regulations and Bye laws of the relevant stock exchange that may be in force from time to time.

21. In the event of death or insolvency of the client or his/its otherwise becoming incapable of receiving and paying for or delivering or transferring securities which the client has ordered to be bought or sold, trading member may close out the transaction of the client and claim losses, if any, against the estate of the client . The client or his successors, heirs and assigns shall be entitled to any surplus which may result there from.

22. Without prejudice to the trading member's other rights (including the right to refer a

matter to arbitration), the trading member shall be entitled to liquidate/close out all or any of the client's positions for non-payment of margins or other amounts, outstanding debts, etc. and adjust the proceeds of such liquidation / close out, if any, against the client's liabilities/ obligations. Any and all losses and financial charges on account of such liquidation/closing -out shall be charged to and borne by the client.

23. The trading member and the client declare and agree that the transactions executed on the Exchange are subject to Rules, Byelaws and Regulations and circulars issued there under of the Exchange and all parties to such trade shall have submitted to the jurisdiction of such court as may be specified by the Byelaws and Regulations of the Exchange for the purpose of giving effect to the provisions of the Rules, Byelaws and Regulations of the Exchange and the circulars issued there under.

24. Where the Exchange cancels trade(s) suo moto all such trades including the trade/s done on behalf of the client shall ipso facto stand cancelled, member shall be entitled to cancel the respective contract(s) with client(s)

25. The instructions issued by an authorized representative , if any, of the client shall be binding on the client in accordance with the letter authorizing the said representative to deal on behalf of the said client.

26. The client agrees to immediately notify the trading member/sub broker in writing if there is any change in the information in the 'client registration form' provided by the client to the trading member/sub broker at the time of opening of the account or at any time thereafter.

27. The client agrees to abide by the exposure limits, if any, set by the trading member or by the Exchange or Clearing Corporation or SEBI from time to time.

28. In addition to the specific rights set out in this Agreement, the trading member, the sub-broker and the client shall be entitled to exercise any other rights which the trading member, sub broker or the client may have under the Rules, Bye -laws and Regulations of the Exchange and circulars issued there under or Rules and Regulations of SEBI.

29. The trading member and the sub-broker hereby undertake to maintain the details of the client as mentioned in the client registration form or any other information pertaining to the client in confidence and that they shall not disclose the same to any person/authority except as required under any law/regulatory requirements: Provided however that the stock broke r or sub-broker may so disclose information about his client to any person or authority with the express permission of the client.

30. The client agrees to immediately furnish information to the trading member in writing, if any winding up petition or insolvency petition has been filed or any winding up or insolvency order or decree or award is passed against him or if any litigation which may have material bearing on his capacity has been filed against him.

31. Words and expressions which are used in this Agreement, but which are not defined herein shall, unless the context otherwise requires, have the same meaning as assigned thereto in the Rules, Byelaws and Regulations of the Exchange and circulars issued there under.

This agreement can be altered, amended and /or modified by the parties mutually in writing without derogating from the contents of this Agreement. Provided however, if the rights and obligations of the parties hereto are altered by virtue of change in Rules and regulations of SEBI or Bye-laws, Rules and Regulations of the relevant stock

Exchange, such changes shall be deemed to have been incorporated herein in modification of the rights and obligations of the parties mentioned in this agreement.

IN WITNESS WHEREOF, the parties hereto have set their hands and signatures on the day, month and year first above written Signed for and on behalf of the member, the sub-broker and the client

**Member**

Full name, details of membership of the stock exchange and address)

**Sub-broker**

Full name and details of recognition of the stock exchange and address

**Client**

Full details and address

## Model Risk Disclosure Document

**v) COMBINED RISK DISCLOSURE DOCUMENT FOR CAPITAL MARKET,  
FUTURES & OPTIONS AND CURRENCY DERIVATIVES SEGMENTS  
(TO BE GIVEN BY THE TRADING MEMBER TO THE CLIENT)**

This document is issued by the member of the National Stock Exchange of India (NSE) which has been formulated by the Exchange in coordination with the Securities and Exchange Board of India (hereinafter referred to as "SEBI") and contains important information on trading in Equities / F&O / Currency Derivatives Segments of NSE. All prospective constituents should read this document before trading in Equities / F&O / Currency Derivatives Segments of the Exchange.

NSE /SEBI does neither singly or jointly and expressly nor impliedly guarantee nor make any representation concerning the completeness, the adequacy or accuracy of this disclosure document nor has NSE /SEBI endorsed or passed any merits of participating in the trading segments. This brief statement does not disclose all the risks and other significant aspects of trading.

In the light of the risks involved, you should undertake transactions only if you understand the nature of the contractual relationship into which you are entering and the extent of your exposure to risk.

You must know and appreciate that trading in Equity shares, F&O contracts, Currency derivatives contracts or other instruments traded on the Stock Exchange, which have varying element of risk, is generally not an appropriate avenue for someone of limited resources/limited investment and/or trading experience and low risk tolerance. You should therefore carefully consider whether such trading is suitable for you in the light of your financial condition. In case you trade on NSE and suffer adverse consequences or loss, you shall be solely responsible for the same and NSE, its Clearing Corporation and/or SEBI shall not be responsible, in any manner whatsoever, for the same and it will not be open for you to take a plea that no adequate disclosure regarding the risks involved was made or that you were not explained the full risk involved by the concerned member. The constituent shall be solely responsible for the consequences and no contract can be rescinded on that account. You must acknowledge and accept that there can be no guarantee of profits or no exception from losses while executing orders for purchase and/or sale of a currency derivative contract being traded on NSE.

It must be clearly understood by you that your dealings on NSE through a member shall be subject to your fulfilling certain formalities set out by the member, which may inter alia include your filling the know your client form, client registration form, execution of an agreement, etc., and are subject to the Rules, Byelaws and Regulations of NSE and its Clearing Corporation, guidelines prescribed by SEBI and in force from time to time and Circulars as may be issued by NSE or its Clearing Corporation and in force from time to time.

NSE does not provide or purport to provide any advice and shall not be liable to any person who enters into any business relationship with any trading member of NSE and/or any third party based on any information contained in this document. Any information contained in this document must not be construed as business advice. No consideration to trade should be made without thoroughly understanding and reviewing the risks involved in such trading. If you are unsure, you must seek professional advice on the same.

In considering whether to trade or authorize someone to trade for you, you should be aware of or must get acquainted with the following:-

## **1. BASIC RISKS**

### **1.1 Risk of Higher Volatility:**

Volatility refers to the dynamic changes in price that a security / F&O contract / currency derivatives contract undergoes when trading activity continues on the Stock Exchange. Generally, higher the volatility of a security / F&O contract / currency derivatives contract, greater is its price swings. There may be normally greater volatility in thinly traded securities / F&O contracts / currency derivatives contracts than in active securities / F&O contracts / currency derivatives contracts. As a result of volatility, your order may only be partially executed or not executed at all, or the price at which your order got executed may be substantially different from the last traded price or change substantially thereafter, resulting in notional or real losses.

### **1.2 Risk of Lower Liquidity:**

Liquidity refers to the ability of market participants to buy and/or sell securities / F&O contracts / currency derivatives contracts expeditiously at a competitive price and with minimal price difference. Generally, it is assumed that more the numbers of orders available in a market, greater is the liquidity. Liquidity is important because with greater liquidity, it is easier for investors to buy and/or sell securities / F&O contracts / currency derivatives contracts swiftly and with minimal price difference, and as a result, investors are more likely to pay or receive a competitive price for securities / F&O contracts / currency derivatives contracts purchased or sold. There may be a risk of lower liquidity in some securities / F&O contracts / currency derivatives contracts as compared to active securities / F&O contracts / currency derivatives contracts. As a result, your order may only be partially executed, or may be executed with relatively greater price difference or may not be executed at all.

**1.2.1** Buying or selling securities / F&O contracts / currency derivatives contracts as part of a day trading strategy may also result into losses, because in such a situation, securities / F&O contracts / currency derivatives contracts may have to be sold / purchased at low / high prices, compared to the expected price levels, so as not to have any open position or obligation to deliver or receive a security / F&O contract / currency derivatives contract.

### **1.3 Risk of Wider Spreads:**

Spread refers to the difference in best buy price and best sell price. It represents the differential between the price of buying a security / F&O contract / currency derivatives contract and immediately selling it or vice versa. Lower liquidity and higher volatility may result in wider than normal spreads for less liquid or illiquid securities / F&O contracts / currency derivatives contracts. This in turn will hamper better price formation.

### **1.4 Risk-reducing orders:**

The placing of orders (e.g., "stop loss" orders, or "limit" orders) which are intended to limit losses to certain amounts may not be effective many a time because rapid movement in market conditions may make it impossible to execute such orders.

**1.4.1** A "market" order will be executed promptly, subject to availability of orders on opposite side, without regard to price and that, while the customer may receive a

prompt execution of a "market" order, the execution may be at available prices of outstanding orders, which satisfy the order quantity, on price time priority. It may be understood that these prices may be significantly different from the last traded price or the best price in that security / F&O contract / currency derivatives contract.

**1.4.2** A "limit" order will be executed only at the "limit" price specified for the order or a better price. However, while the customer receives price protection, there is a possibility that the order may not be executed at all.

**1.4.3** A stop loss order is generally placed "away" from the current price of a stock / F&O contract / currency derivatives contract, and such order gets activated if and when the security / F&O contract / currency derivatives contract reaches, or trades through, the stop price. Sell stop orders are entered ordinarily below the current price, and buy stop orders are entered ordinarily above the current price. When the security / F&O contract / currency derivatives contract reaches the pre-determined price, or trades through such price, the stop loss order converts to a market/limit order and is executed at the limit or better. There is no assurance therefore that the limit order will be executable since a security / F&O contract / currency derivatives contract might penetrate the pre-determined price, in which case, the risk of such order not getting executed arises, just as with a regular limit order.

#### **1.5 Risk of News Announcements:**

News announcements that may impact the price of stock / F&O contract / currency derivatives contract may occur during trading, and when combined with lower liquidity and higher volatility, may suddenly cause an unexpected positive or negative movement in the price of the security / contract.

#### **1.6 Risk of Rumours:**

Rumours about companies / currencies at times float in the market through word of mouth, newspapers, websites or news agencies, etc. The investors should be wary of and should desist from acting on rumours.

#### **1.7 System Risk:**

High volume trading will frequently occur at the market opening and before market close. Such high volumes may also occur at any point in the day. These may cause delays in order execution or confirmation.

**1.7.1** During periods of volatility, on account of market participants continuously modifying their order quantity or prices or placing fresh orders, there may be delays in order execution and its confirmations.

**1.7.2** Under certain market conditions, it may be difficult or impossible to liquidate a position in the market at a reasonable price or at all, when there are no outstanding orders either on the buy side or the sell side, or if trading is halted in a security / F&O contract / currency derivatives contract due to any action on account of unusual trading activity or security / F&O contract / currency derivatives contract hitting circuit filters or for any other reason.

#### **1.8 System/Network Congestion:**

Trading on NSE is in electronic mode, based on satellite/leased line based communications, combination of technologies and computer systems to place and route orders. Thus, there exists a possibility of communication failure or system

problems or slow or delayed response from system or trading halt, or any such other problem/glitch whereby not being able to establish access to the trading system/network, which may be beyond control and may result in delay in processing or not processing buy or sell orders either in part or in full. You are cautioned to note that although these problems may be temporary in nature, but when you have outstanding open positions or unexecuted orders, these represent a risk because of your obligations to settle all executed transactions.

2. As far as Futures and Options segment and Currency Derivatives segments are concerned, please note and get yourself acquainted with the following additional features:-

### **2.1 Effect of "Leverage" or "Gearing"**

In the derivatives market, the amount of margin is small relative to the value of the derivatives contract so the transactions are 'leveraged' or 'geared'. Derivatives trading, which is conducted with a relatively small amount of margin, provides the possibility of great profit or loss in comparison with the margin amount. But transactions in derivatives carry a high degree of risk.

You should therefore completely understand the following statements before actually trading in derivatives and also trade with caution while taking into account one's circumstances, financial resources, etc. If the prices move against you, you may lose a part of or whole margin amount in a relatively short period of time. Moreover, the loss may exceed the original margin amount.

A. Futures trading involves daily settlement of all positions. Every day the open positions are marked to market based on the closing level of the index / F&O contract / currency derivatives contract. If the contract has moved against you, you will be required to deposit the amount of loss (notional) resulting from such movement. This amount will have to be paid within a stipulated time frame, generally before commencement of trading on next day.

B. If you fail to deposit the additional amount by the deadline or if an outstanding debt occurs in your account, the broker/member may liquidate a part of or the whole position or substitute securities. In this case, you will be liable for any losses incurred due to such close-outs.

C. Under certain market conditions, an investor may find it difficult or impossible to execute transactions. For example, this situation can occur due to factors such as illiquidity i.e. when there are insufficient bids or offers or suspension of trading due to price limit or circuit breakers etc.

D. In order to maintain market stability, the following steps may be adopted: changes in the margin rate, increases in the cash margin rate or others. These new measures may also be applied to the existing open interests. In such conditions, you will be required to put up additional margins or reduce your positions.

E. You must ask your broker to provide the full details of F&O contracts/ currency derivatives contracts you plan to trade i.e. the contract specifications and the associated obligations.

### **2.2 Currency specific risks**

1. The profit or loss in transactions in foreign currency-denominated contracts, whether they are traded in your own or another jurisdiction, will be affected by



fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

2. Under certain market conditions, you may find it difficult or impossible to liquidate a position. This can occur, for example when a currency is deregulated or fixed trading bands are widened.

3. Currency prices are highly volatile. Price movements for currencies are influenced by, among other things: changing supply-demand relationships; trade, fiscal, monetary, exchange control programs and policies of governments; foreign political and economic events and policies; changes in national and international interest rates and inflation; currency devaluation; and sentiment of the market place. None of these factors can be controlled by any individual advisor and no assurance can be given that an advisor's advice will result in profitable trades for a participating customer or that a customer will not incur losses from such events.

### **2.3 Risk of Option holders**

1. An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time. This risk reflects the nature of an option as a wasting asset which becomes worthless when it expires. An option holder who neither sells his option in the secondary market nor exercises it prior to its expiration will necessarily lose his entire investment in the option. If the price of the underlying does not change in the anticipated direction before the option expires to an extent sufficient to cover the cost of the option, the investor may lose all or a significant part of his investment in the option.

2. The Exchange may impose exercise restrictions and have absolute authority to restrict the exercise of options at certain times in specified circumstances.

### **2.4 Risks of Option Writers**

1. If the price movement of the underlying is not in the anticipated direction, the option writer runs the risks of losing substantial amount.

2. The risk of being an option writer may be reduced by the purchase of other options on the same underlying interest and thereby assuming a spread position or by acquiring other types of hedging positions in the options markets or other markets. However, even where the writer has assumed a spread or other hedging position, the risks may still be significant. A spread position is not necessarily less risky than a simple 'long' or 'short' position.

3. Transactions that involve buying and writing multiple options in combination, or buying or writing options in combination with buying or selling short the underlying interests, present additional risks to investors. Combination transactions, such as option spreads, are more complex than buying or writing a single option. And it should be further noted that, as in any area of investing, a complexity not well understood is, in itself, a risk factor. While this is not to suggest that combination strategies should not be considered, it is advisable, as is the case with all investments in options, to consult with someone who is experienced and knowledgeable with respect to the risks and potential rewards of combination transactions under various market circumstances.

## **3. GENERAL**

### **3.1 Commission and other charges**

Before you begin to trade, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

### **3.2 Deposited cash and property**

You should familiarise yourself with the protections accorded to the money or other property you deposit particularly in the event of a firm insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property which has been specifically identifiable as your own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall. In case of any dispute with the member, the same shall be subject to arbitration as per the byelaws/regulations of the Exchange.

**3.3** For rights and obligations of the clients, please refer to Annexure-1 enclosed with this document.

**3.4** The term 'constituent' shall mean and include a client, a customer or an investor, who deals with a member for the purpose of acquiring and/or selling of currency derivatives contracts through the mechanism provided by NSE.

**3.5** The term 'member' shall mean and include a trading member, a broker or a stock broker, who has been admitted as such by NSE and who holds a registration certificate from SEBI.

I hereby acknowledge that I have received and understood this risk disclosure statement and Annexure-1 containing my rights and obligations.

Customer Signature

(If Partner, Corporate, or other Signatory, then attest with company seal)

Date:

## **ANNEXURE-1 INVESTORS' RIGHTS AND OBLIGATIONS:**

**1.1** You should familiarise yourself with the protection accorded to the money or other property you may deposit with your member, particularly in the event of a default in the Cash Market / F&O market / Currency Derivatives market or the broking firm's insolvency or bankruptcy.

**1.1.1** Please ensure that you have a documentary proof of your having made deposit of such money or property with the member, stating towards which account such money or property deposited.

**1.1.2** Further, it may be noted that the extent to which you may recover such money or property may be governed by the Bye-laws and Regulations of NSE and the scheme of the Investors' Protection Fund in force from time to time.

**1.1.3** Any dispute with the member with respect to deposits, margin money, etc., and producing an appropriate proof thereof, shall be subject to arbitration as per the Rules, Byelaws/Regulations of NSE or its Clearing Corporation.

**1.2** Before you begin to trade, you should obtain a clear idea from your member of all brokerage, commissions, fees and other charges which will be levied on you for trading. These charges will affect your net cash inflow or outflow.

**1.3** You should exercise due diligence and comply with the following requirements of the NSE and/or SEBI:

**1.3.1** Please deal only with and through SEBI registered members of the Stock Exchange and are enabled to trade on the Exchange. All SEBI registered members are given a registration no., which may be verified from SEBI. The details of all members of NSE and whether they are enabled to trade may be verified from NSE website ([www.nseindia.com](http://www.nseindia.com)).

**1.3.2** Demand any such information, details and documents from the member, for the purpose of verification, as you may find it necessary to satisfy yourself about his credentials.

**1.3.3** Furnish all such details in full as are required by the member as required in "Know Your Client" form, which may also include details of PAN or Passport or Driving License or Voters Id, or Ration Card, bank account and depository account, or any such details made mandatory by NSE/ SEBI at any time, as is available with the investor.

**1.3.4** Execute a broker-client agreement in the form prescribed by SEBI and/or the Relevant Authority of NSE or its Clearing Corporation from time to time, because this may be useful as a proof of your dealing arrangements with the member.

**1.3.5** Give any order for buy or sell of a security / derivatives contract in writing or in such form or manner, as may be mutually agreed. Giving instructions in writing ensures that you have proof of your intent, in case of disputes with the member.

**1.3.6** Ensure that a contract note is issued to you by the member which contains minute records of every transaction. Verify that the contract note contains details of order number, trade number, trade time, trade price, trade quantity, details of the currency derivatives contract, client code allotted to you and showing the brokerage separately. Contract notes are required to be given/ sent by the member to the investors latest on the next working day of the trade. Contract note can be issued by the member either in electronic form using digital signature as required, or in hard copy. In case you do not receive a contract note on the next working day or at a mutually agreed time, please get in touch with the Investors Grievance Cell of NSE, without delaying.

**1.3.7** Facility of Trade Verification is available on NSE website ([www.nseindia.com](http://www.nseindia.com)), where details of trade as mentioned in the contract note may be verified from the trade date up to five trading days. Where trade details on the website, do not tally with the details mentioned in the contract note, immediately get in touch with the Investors Grievance Cell of NSE.

**1.3.8** Ensure that payment of funds against settlement is given to the concerned member within one working day prior to the date of pay-in announced by NSE or its Clearing Corporation. Payments should be made only by account payee cheque in favour of the firm/company of the trading member and a receipt or acknowledgement towards what such payment is made be obtained from the member.

**1.3.9** In case pay-out of funds is not received on the next working day after date of pay-out announced by NSE or its Clearing Corporation, please follow-up with the concerned member for its receipt. In case pay-out is not received as above from the member within five working days, ensure that you lodge a complaint immediately with the Investors' Grievance Cell of NSE.

**1.3.10** Every member is required to send a complete 'Statement of Accounts', for both settlements and margins, to each of its constituents, at such periodicity as may be prescribed from time to time. You should report errors, if any, in the Statement immediately, but not later than 30 calendar days of receipt thereof, to the member. In case the error is not rectified or there is a dispute, ensure that you refer such matter to the Investors Grievance Cell of NSE, without delaying.

**1.3.11** In case of a complaint against a member, you should address the complaint to the Office as may be specified by NSE from time to time.

**1.4** In case where a member surrenders his membership, NSE gives a public notice inviting claims, if any, from investors. In case of a claim, relating to "transactions executed on the trading system" of NSE, ensure that you lodge a claim with NSE /Clearing Corporation within the stipulated period and with the supporting documents.

**1.5** In case where a member is expelled from trading membership or declared a defaulter, NSE gives a public notice inviting claims, if any, from investors. In case of a claim, relating to "transactions executed on the trading system" of NSE, ensure that you lodge a claim with NSE within the stipulated period and with the supporting documents.

**1.6** Claims against a defaulter/expelled member found to be valid as prescribed in the relevant Rules/Bye -laws and the scheme under the Investors' Protection Fund (IPF) may be payable as prescribed by SEBI.

**Notes:**

1. The term 'constituent' shall mean and include a client, a customer or an investor, who deals with a trading member of NSE for the purpose of buying and / or selling of securities / F&O contracts / currency derivatives contracts through the mechanism provided by NSE.

2. The term 'member' shall mean and include a trading member or a broker or a stock broker, who has been admitted as such by NSE and who holds a registration certificate from SEBI.

3. The term 'contract' refers to a F&O / currency derivatives contract and the term 'underlying' refers to the underlying index / stock / currency of such contract.

**vi) MODEL STOCK BROKER AND SUB-BROKER AGREEMENT**

This Agreement entered into this \_\_\_\_\_ day of \_\_\_\_\_ 200\_ at \_\_\_\_\_ between \_\_\_\_\_, Member of the \_\_\_\_\_ Stock Exchange, ordinarily carrying on business in sale and purchase of shares and securities in the name and style of \_\_\_\_\_ from \_\_\_\_\_ (hereinafter referred to as "the stock broker") and having his/its office/registered office at ... .. (address), which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include his/her heirs, executors, administrators and legal representatives/the partners for the time being of the said entity, the survivor or survivors of them and their respective heirs, executors, administrators and legal representatives/its successors, as the case may be, of the One Part;

**And**

\_\_\_\_\_ an entity desiring to start business as a sub broker in shares and securities in the name and style of \_\_\_\_\_ (hereinafter referred to as "the sub broker".) and having his/its office/registered office at ... .. (address), which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include his/her heirs, executors, administrators and legal representatives/the partners for the time being of the said entity, the survivor or survivors of them and their respective heirs, executors, administrators and legal representatives/its successors, as the case may be, of the Other Part;

WHEREAS the said stock broker is a member of \_\_\_\_\_ Stock Exchange {(hereinafter referred to as "the said exchange")} and also holds a certificate of registration granted under Rule 4 of the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Rules, 1992 (hereinafter referred to as "the said Rules) & the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as "the said Regulations"); bearing SEBI Registration Number.-----

**AND**

WHEREAS the sub-broker is desirous of affiliating to the stock broker and is hereby eligible for making an application for seeking recognition of the stock exchange and for grant of a certificate of registration under rule 5 of the said rules;

WHEREAS in terms of item (C) (4) the Code of Conduct for sub brokers prescribed under of Schedule II read with regulation 15 (1) (c) and regulation 17(1) (m) of the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992, the stock broker and the sub-broker are required to enter into an agreement with each other specifying the scope of their authority & responsibility, in relation to the business of dealing in securities between them; AND

WHEREAS the sub-broker has declared:

(a) that he/it is presently affiliated as a sub broker with the stock broker(s) of the following stock exchanges other than the said exchange:

Name of the affiliated stock broker	Name of the stock exchange	SEBI Registration number of the stock broker	SEBI Registration number of the sub broker

and the broker(s) mentioned under column (1) of the above table has/have given 'No Objection Certificate(s)(NOC)' to the present Sub-broker to get affiliated to the stock broker & seek recognition with the said exchange and registration with SEBI.

(b) that he is not affiliated to any other stock broker of the said exchange; and

(c) that he/it has direct/indirect interest in the stock brokers/ sub brokers of stock exchange detailed hereunder:

Name & SEBI Reg. No. of Broker(s) directly or indirectly related to the sub broker	Name & SEBI Reg. No. of sub broker(s) directly or indirectly related to the sub broker	Name & SEBI Reg. No. of broker(s) with whom the sub broker mentioned at column (2) is affiliated	Name of the stock exchange	Nature of interest (i.e. as director or shareholder) Also state % of shareholding

Note 1: A Sub-broker is deemed to have direct/indirect interest in other Sub-broker (Stock Broker) for purposes of this clause, in the following circumstances:

(i) Where he is an individual, he or any of his relatives being a Sub-broker (Stock Broker), he or any of his relative being partner in a Sub-Broking firm (Stock Broking Firm), he or any of his relative being a director in a Sub-broking Company (Stock Broking Company) or he or any of his relatives clubbed together holding substantial equity in any Sub-broking Company.

(ii) Where it is Partnership Firm/Company, the relative(s) of partners/directors in the Firm/Company being a Sub-broker (Stock Broker) or being partner(s)/director(s) in a Sub-broking Firm/Company (Stock Broking Firm/Company) or the same set of shareholders holding substantial equity in other Sub-broking (Stock Broking) entity.

Note 2 : Relative for the above purpose shall mean husband, wife, brother, unmarried sister or any linear ascendant or descendent of an individual.

NOW THEREFORE this agreement witnesseth as follows:

1. The stock broker and the sub broker hereby acknowledge and confirm that the sub broker is affiliated to the stock broker and that the sub-broker shall within the scope of the authority given under these presents, be entitled to act as a 'sub-broker' within the meaning and subject to SEBI (Stock Brokers & Sub-Brokers) Rules, 1992 and SEBI (Stock Brokers & Sub-Brokers) Regulations 1992 (the said "Rules" and "Regulations" respectively) as amended from time to time, for assisting the client in buying, selling or dealing in securities through the stock broker.
2. The stock broker and the sub broker agree that irrespective of the date of agreement, the sub broker will commence business only after receipt of registration certificate from SEBI, continue business during currency of the certificate and will stop business as a sub broker from the date of termination of the agreement.
3. The stock broker agrees that he/it shall not, except with the previous consent of the sub-broker, commit on the latter's behalf transactions in securities in

- excess of the amount mutually agreed upon in writing from time to time. The sub broker also agrees that he/it shall not commit transactions in securities through the stock broker in excess of the amount mutually agreed upon in writing from time to time.
4. The stock broker agrees that he/it shall not resort to unfair means of weaning away the clients of the sub broker.
  5. The stock broker and the sub broker agree to share the brokerage/commission between them in terms of their mutual understanding. Provided however, the brokerage/commission payable to the sub-broker shall not exceed one and one half percent of the value of transactions carried out by the sub broker for clients.
  6. The stock broker agrees to maintain a separate record including accounts in respect of the dealings in securities entered into on behalf of the individual client's dealing, with bifurcation showing the details by each of the sub brokers.
  7. If any dispute arises between the stock broker and the sub-broker, the same shall as far as possible be settled with the help of the officials of the said exchange and if no such settlement is possible the parties hereby agree to refer such dispute to arbitration in accordance with the Rules, Bye-laws and Regulations of the said exchange. The stock broker and the sub-broker hereby agree that they shall cooperate with the said exchange officials and provide all relevant documents in their possession or control so as to expedite the settlement or adjudication through arbitration process.
  8. The sub-broker shall inform the stock broker of any proposed material change in its status and constitution, before seeking prior approval for the same from SEBI.
  9. The sub broker agrees not to carry on securities business either directly or through his/its relatives otherwise than on behalf of the stock broker.
  10. The sub-broker agrees not to issue any documents like bill, confirmation memo, statement of funds/securities in any other capacity except as authorized by the stock broker.
  11. The sub broker agrees to produce copies of transactions of Statement of DP and bank accounts belonging to himself/itself and his/its relatives whose accounts have been registered with the stock broker on demand.
  12. The sub broker agrees that the stock broker be authorized to establish additional internal controls like deposit, verification of identity of clients registered, review of transactions in respect of clients contributing large volumes, power to scrutinize sub broker related documents etc., at any time during the period of the agreement in force.
  13. The sub broker agrees that he would display at each of his branch, in prominent location, Display Board provided by the Trading Member which would contain guidelines to investors including particulars of Trading Member, Compliance Officer Details, manner of payment/receipt of funds and securities.
  14. In case of receipt of complaint/s from the investors revealing activities by the sub broker otherwise than the manner authorized by Trading Member, the sub broker agrees that the stock broker would be entitled to withhold money due to the sub-broker, till the complaints are resolved.
  15. The sub broker agrees that the stock broker would be entitled to establish any other additional control that it desires to ensure safe and secure dealing of investors with the sub broker.
  16. The stock broker and the sub-broker shall be entitled to terminate this agreement without giving any reasons to the other party after giving notice in writing of not less than one month to the other party at its respective address mentioned below. Provided however that, in the event of the sub broker terminating the agreement and/or termination of the sub broker by the stock

broker, for any reason whatsoever, all his clients shall be deemed to be the direct clients of the stock broker and all clauses in the tripartite agreement between the stock broker, the sub broker and client governing the client and stock broker shall continue to be in force as it is, unless any client intimates to the stock broker or the stock broker intimates to the client his/its intention to terminate the agreement by giving a notice in writing of not less than one month.

17. Where the stock broker has terminated his/its agreement with the sub broker, the stock broker shall inform the relevant stock exchange (s).
18. This agreement shall forthwith stand terminated;
  - if the stock broker for any reason ceases to be a member of the stock exchange including by cessation of membership by reason of the stock broker's, death, resignation, expulsion or having being declared a defaulter or if the certificate issued by the Board is cancelled;
  - upon the demise/insolvency of the sub-broker or the cancellation of his/its registration with the Board or /withdrawal of recognition of the sub-broker by the stock exchange.
19. On termination of the agreement by the stock broker, it shall be the duty of the stock broker to collect and forward the registration certificate of the sub-broker to SEBI through the stock exchange along with all the fees in arrears in respect of the sub broker's registration as required under Part II of schedule III of SEBI (Stock Broker and Sub-broker) Regulations 1992 and the sub-broker agrees to co-operate with the stock broker in carrying out the said duty.
20. In the event of surrender of the sub broker registration, the affiliating broker shall ensure that investors/general public is informed about surrender of registration of the sub broker. A public advertisement to that effect shall be required to be issued by the stock broker in a local newspaper where the sub broker's registered office, Head Office/Corporate office is situated and another in English daily news paper with wide circulation.

IN WITNESS WHEREOF, the parties hereto have set their hands and signatures on the day, month and year first above written.

Signed for and on behalf of  
Stock Broker :  
By :  
Signature :  
Title :  
Witness :

Signed for and on behalf of  
Sub-Broker :  
By :  
Signature :  
Title :  
Witness :



**i) CONTRACT NOTE FORMAT FOR CM SEGMENT**

**CONTRACT NOTE**  
**(Capital Market Segment of NSE)**  
(Pursuant to Regulation 3.5)

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Dealing Office Address of the Member  
Tel. No.  
Fax. No.

Name of the Member  
Address of the Member  
SEBI Regn. No. of the Member  
Trading Member Code No.

To

To be stamped as per the provisions applicable under the relevant Stamp Act

**CONTRACT NOTE NO.**  
**TRADE DATE**  
**SETTLEMENT NO.**  
**SETTLEMENT DATE**

Name of the Constituent  
Address of the Constituent  
Unique Client Code No.  
Trading Code No. of the Constituent  
PAN of Constituent

Sir/ Madam,

I / We have this day done by your order and on your account the following transactions :

Order No.	Order Time	Trade No.	Trade Time	Security (Description)	Quantity	Buy / Sell	Gross Rate per Security	Total (Rs)	Brokerage * (Total)	Service Tax * (Total) (Rs)	Securities Transaction Tax *	Total (inclusive / net of brokerage,
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							(Rs)		(Rs)		(Rs)	service tax & STT (Rs)

**OTHER LEVIES, IF ANY:**

**\* Alternatively, these details may be furnished separately as Annexure to the Contract Note.**

Brokerage has been charged as stated and has been at rates not exceeding the official scale of brokerage and indicated separately.

This contract is subject to the Rules, Bye-laws and Regulations and usages of National Stock Exchange of India Limited.

In matters where the Exchange is a party to the dispute, the Civil Courts at Mumbai shall have exclusive jurisdiction and in all other matters, proper courts within the area covered under the Regional Arbitration Centre shall have jurisdiction in respect of the arbitration proceedings falling under or conducted in that Regional Arbitration Centre.

This contract constitutes and shall be deemed to constitute as provided overleaf an agreement between you and me/us, and in the event of any claim (whether admitted or not), difference or dispute in respect of any dealings, and contracts of a date prior or subsequent to the date of this contract (including any question whether such dealings, transactions or contracts have been entered into or not) shall be referred to arbitration as provided in the Rules, Bye-laws and Regulations of National Stock Exchange of India Limited.

**The provisions printed overleaf form a part of the contract.**

Date :

**Yours faithfully,**

Place :

For \_\_\_\_\_ (Name of Trading Member)

Name & Signature of Partner / Proprietor / Authorised  
Signatory  
P.T.O.

**EXTRACTS FROM THE BYELAWS & REGULATIONS PERTAINING TO ARBITRATION**

(1) All claims, differences or disputes between the Trading Members *inter se* and between Trading Members and Constituents arising out of or in relation to dealings, contracts and transactions made subject to the Bye-Laws, Rules and Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions and contracts have been entered into or not shall be submitted to arbitration in accordance with the provisions of these Byelaws and Regulations.

(2) In all dealings, contracts and transactions, which are made or deemed to be made subject to the Byelaws, Rules and Regulations of the Exchange, the provisions relating to arbitration as provided in these Byelaws and Regulations shall form and shall be deemed to form part of the dealings, contracts and transactions and the parties shall be deemed to have entered into an arbitration agreement in writing by which all claims, differences or disputes of the nature referred to in clause (1) above shall be submitted to arbitration as per the provisions of these Byelaws and Regulations.

(3) All claims, differences or disputes referred to in clause (1) above shall be submitted to arbitration within six months from the date on which the claim, difference or dispute arose or shall be deemed to have arisen. The time taken in conciliation proceedings, if any, initiated and conducted as per the provisions of the Act and the time taken by the Relevant Authority to administratively resolve the claim, differences or disputes shall be excluded for the purpose of determining the period of six months.

(4) Save as otherwise specified by the Relevant Authority, the seat of arbitration for different regions shall be as follows:

<b>Seats of Arbitration – REGIONAL ARBITRATION CENTRES (RAC)</b>	<b>STATES &amp; UNION TERRITORIES COVERED BY THE RAC</b>
<b>DELHI</b>	Delhi, Haryana, Uttar Pradesh, Uttaranchal, Himachal Pradesh, Punjab, Jammu & Kashmir, Chandigarh, Rajasthan
<b>KOLKATA</b>	West Bengal, Bihar, Jharkhand, Orissa, Assam, Arunachal Pradesh, Mizoram, Manipur, Sikkim, Meghalaya, Nagaland, Tripura, Chattisgarh
<b>CHENNAI</b>	Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Andaman & Nicobar, Lakshadweep, Pondicherry
<b>MUMBAI</b>	Maharashtra, Gujarat, Goa, Daman & Diu, Dadra & Nagar Haveli, Madhya Pradesh

(5) Save as otherwise specified by the Relevant Authority, the criteria for selection of seat of arbitration for a particular matter is as follows:

<b>Parties to Dispute</b>	<b>Place of filing the Application for Arbitration</b>	<b>Place of hearing</b>
<b>TM* V/s TM</b>	<p>a) If the dealing offices of both Trading Members from where the dealing was carried is situated in any one of the states covered by a particular RAC then the Application for Arbitration shall be filed by the Applicant-Trading Member in that RAC.</p> <p>b) If the dealing offices of both Trading Members from where the dealing was carried out are situated in states covered by different RAC then the Application for Arbitration shall be filed in the RAC covering the state in which the Respondent –Trading Member’s dealing office is situated.</p>	The hearing shall be held at the RAC where the Applicant-Trading Member has filed the Application for Arbitration and the Respondent-Trading Member shall attend the hearing in that particular RAC.
<b>TM V/s C* &amp; C V/s TM</b>	The Application for Arbitration shall be filed by the Applicant at the RAC covering the state in which the <b>Constituent ordinarily resides.</b>	The hearing shall be held in that RAC where the Applicant has filed the Application for Arbitration and the Respondent shall attend the hearing in that particular RAC.

**(6) Unless otherwise specifically agreed in writing between the Trading Member and the Constituent, in respect of any claims, disputes and differences arising out of internet trading between the Constituent and Trading Member, the seat of arbitration shall be the Regional Arbitration Centre within the area in which the Constituent ordinarily resided at the time of relevant trading, provided however in respect of a Non-Resident Indian Constituent, the seat of arbitration shall be the RAC in the area of which the correspondence office of the Trading Member is situated.**

\* “**TM**” stands for “**Trading Member**” and “**C**” stands for “**Constituent.**”

For more details please refer to Chapter XI of the Byelaws and Chapter 5 of Capital Market Trading Regulations of National Stock Exchange of India Limited.

ii) **CONTRACT NOTE FORMAT FOR F&O SEGMENT**

**CONTRACT NOTE**  
**(Futures & Options Segment of NSE)**  
(Pursuant to Regulation 3.6)

Dealing Office Address of the Member  
Tel. No.  
Fax. No.

Name of the Member  
Address of the Member  
SEBI Regn. No. of the Member  
Trading Member Code No.

**CONTRACT NOTE NO.**  
**TRADE DATE**

To  
Name of the Constituent  
Address of the Constituent  
Unique Client Code No.  
Trading Code No. of the Constituent  
PAN of Constituent

To be stamped as per the provisions applicable under the relevant Stamp Act

Sir/ Madam,

I / We have this day done by your order and on your account the following transactions :

Order No.	Order Time	Trade No.	Trade Time	Security (Contracts Description)	Quantity	Buy / Sell	Gross Rate per Security	Total (Rs)	Brokerage * (Total)	Service Tax * (Total) (Rs)	Securities Transaction Tax *	Total (inclusive / net of brokerage,
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							(Rs)		(Rs)		(Rs)	service tax & STT) (Rs)

**OTHER LEVIES, IF ANY:**

**\* Alternatively, these details may be furnished separately as Annexure to the Contract Note.**

Brokerage has been charged as stated and has been at rates not exceeding the official scale of brokerage and indicated separately. This contract is subject to the Rules, Bye-laws and Regulations and usages of National Stock Exchange of India Limited.

In matters where the Exchange is a party to the dispute, the Civil Courts at Mumbai shall have exclusive jurisdiction and in all other matters, proper courts within the area covered under the Regional Arbitration Centre shall have jurisdiction in respect of the arbitration proceedings falling under or conducted in that Regional Arbitration Centre.

This contract constitutes and shall be deemed to constitute as provided overleaf an agreement between you and me/us, and in the event of any claim (whether admitted or not), difference or dispute in respect of any dealings, and contracts of a date prior or subsequent to the date of this contract (including any question whether such dealings, transactions or contracts have been entered into or not) shall be referred to arbitration as provided in the Rules, Bye-laws and Regulations of National Stock Exchange of India Limited.

**The provisions printed overleaf form a part of the contract.**

**Yours faithfully,**

Date :

Place:

For \_\_\_\_\_ (Name of Trading Member)

Name & Signature of Partner / Proprietor / Authorised Signatory

P.T.O.

**EXTRACTS FROM THE BYELAWS & REGULATIONS PERTAINING TO ARBITRATION**

(1) All claims, differences or disputes between the Trading Members *inter se* and between Trading Members and Constituents arising out of or in relation to dealings, contracts and transactions made subject to the Bye-Laws, Rules and Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions and contracts have been entered into or not shall be submitted to arbitration in accordance with the provisions of these Byelaws and Regulations.

(2) In all dealings, contracts and transactions, which are made or deemed to be made subject to the Byelaws, Rules and Regulations of the Exchange, the provisions relating to arbitration as provided in these Byelaws and Regulations shall form and shall be deemed to form part of the dealings, contracts and transactions and the parties shall be deemed to have entered into an arbitration agreement in writing by which all claims, differences or disputes of the nature referred to in clause (1) above shall be submitted to arbitration as per the provisions of these Byelaws and Regulations.

(3) All claims, differences or disputes referred to in clause (1) above shall be submitted to arbitration within six months from the date on which the claim, difference or dispute arose or shall be deemed to have arisen. The time taken in conciliation proceedings, if any, initiated and conducted as per the provisions of the Act and the time taken by the Relevant Authority to administratively resolve the claim, differences or disputes shall be excluded for the purpose of determining the period of six months.

(4) Save as otherwise specified by the Relevant Authority, the seat of arbitration for different regions shall be as follows:

<b>Seats of Arbitration – REGIONAL ARBITRATION CENTRES (RAC)</b>	<b>STATES &amp; UNION TERRITORIES COVERED BY THE RAC</b>
<b>DELHI</b>	Delhi, Haryana, Uttar Pradesh, Uttaranchal, Himachal Pradesh, Punjab, Jammu & Kashmir, Chandigarh, Rajasthan
<b>KOLKATA</b>	West Bengal, Bihar, Jharkhand, Orissa, Assam, Arunachal Pradesh, Mizoram, Manipur, Sikkim, Meghalaya, Nagaland, Tripura, Chattisgarh
<b>CHENNAI</b>	Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Andaman & Nicobar, Lakshadweep, Pondicherry

<b>MUMBAI</b>	Maharashtra, Gujarat, Goa, Daman & Diu, Dadra & Nagar Haveli, Madhya Pradesh
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(5) Save as otherwise specified by the Relevant Authority, the criteria for selection of seat of arbitration for a particular matter is as follows:

<b>Parties to Dispute</b>	<b>Place of filing the Application for Arbitration</b>	<b>Place of hearing</b>
<b>TM* V/s TM</b>	<p>a) If the dealing offices of both Trading Members from where the dealing was carried is situated in any one of the states covered by a particular RAC then the Application for Arbitration shall be filed by the Applicant-Trading Member in that RAC.</p> <p>b) If the dealing offices of both Trading Members from where the dealing was carried out are situated in states covered by different RAC then the Application for Arbitration shall be filed in the RAC covering the state in which the Respondent – Trading Member’s dealing office is situated.</p>	The hearing shall be held at the RAC where the Applicant-Trading Member has filed the Application for Arbitration and the Respondent-Trading Member shall attend the hearing in that particular RAC.
<b>TM V/s C* &amp; C V/s TM</b>	The Application for Arbitration shall be filed by the Applicant at the RAC covering the state in which the <b>Constituent ordinarily resides.</b>	The hearing shall be held in that RAC where the Applicant has filed the Application for Arbitration and the Respondent shall attend the hearing in that particular RAC.

(6) Unless otherwise specifically agreed in writing between the Trading Member and the Constituent, in respect of any claims, disputes and differences arising out of internet trading between the Constituent and Trading Member, the seat of arbitration shall be the Regional Arbitration Centre within the area in which the Constituent ordinarily resided at the time of relevant trading, provided however in respect of a Non-Resident Indian Constituent, the seat of arbitration shall be the RAC in the area of which the correspondence office of the Trading Member is situated.

\* “TM” stands for “Trading Member” and “C” stands for “Constituent.”

For more details please refer to Chapter XI of the Byelaws and Chapter 5 of Futures & Options Trading Regulations of National Stock Exchange of India Limited.



**CONTRACT NOTE**  
**iii) (Currency Derivatives Segment of National Stock Exchange of India Limited)**  
(Pursuant to Regulation 3.6)

Dealing Office Address of the Member  
Tel. No.  
Fax. No.  
Names of authorised signatories

Name of the Member  
Address of the Member  
SEBI Regn. No. of the Member  
Trading Member Code No.

To  
Name of the Constituent  
Address of the Constituent  
Unique Client Code No.  
Trading Code No. of the Constituent  
PAN of Constituent

**CONTRACT NOTE NO.**  
**TRADE DATE**

Sir/ Madam,

I / We have this day done by your order and on your account the following transactions :

Order No.	Order Time	Trade No.	Trade Time	Security (Contracts Description)	Quantity	Buy / Sell	Gross Rate per Security (Rs)	Total (Rs)	Brokerage * (Total) (Rs)	Service Tax * (Total) (Rs)	Total (inclusive / net of brokerage & service tax) (Rs)

\* OTHER STATUTORY LEVIES (as applicable)

NET AMOUNT DUE TO US/ YOU - Rs

**\* Alternatively, these details may be furnished separately as annexure to the Contract Note.**

Brokerage has been charged as stated and has been at rates not exceeding the official scale of brokerage and indicated separately. This contract is subject to the Rules, Bye-laws and Regulations and usages of National Stock Exchange of India Limited.

In matters where the Exchange is a party to the dispute, the Civil Courts at Mumbai shall have exclusive jurisdiction and in all other matters, proper courts within the area covered under the Regional Arbitration Centre shall have jurisdiction in respect of the arbitration proceedings falling under or conducted in that Regional Arbitration Centre.

This contract constitutes and shall be deemed to constitute as provided overleaf an agreement between you and me/us, and in the event of any claim (whether admitted or not), difference or dispute in respect of any dealings, and contracts of a date prior or subsequent to the date of this contract (including any question whether such dealings, transactions or contracts have been entered into or not) shall be referred to arbitration as provided in the Rules, Bye-laws and Regulations of National Stock Exchange of India Limited.

**The provisions printed overleaf form a part of the contract.**

**Yours faithfully,**

Date :

Place:

For \_\_\_\_\_ (Name of Trading Member)

Name & Signature of Partner / Proprietor / Authorised Signatory  
P.T.O.

#### **EXTRACTS FROM THE BYELAWS & REGULATIONS PERTAINING TO ARBITRATION**

(1) All claims, differences or disputes between the Trading Members *inter se* and between Trading Members and Constituents arising out of or in relation to dealings, contracts and transactions made subject to the Bye-Laws, Rules and Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions and contracts have been entered into or not shall be submitted to arbitration in accordance with the provisions of these Byelaws and Regulations.

(2) In all dealings, contracts and transactions, which are made or deemed to be made subject to the Byelaws, Rules and Regulations of the Exchange, the provisions relating to arbitration as provided in these Byelaws and Regulations shall form and shall be deemed to form part of the dealings, contracts and transactions and the parties shall be deemed to have entered into an arbitration agreement in writing by which all claims, differences or disputes of the nature referred to in clause (1) above shall be submitted to arbitration as per the provisions of these Byelaws and Regulations.

(3) All claims, differences or disputes referred to in clause (1) above shall be submitted to arbitration within six months from the date on which the claim, difference or dispute arose or shall be deemed to have arisen. The time taken in conciliation proceedings, if any, initiated and conducted as per the provisions of the Act and the time taken by the Relevant Authority to administratively resolve the claim, differences or disputes shall be excluded for the purpose of determining the period of six months.

(4) Save as otherwise specified by the Relevant Authority, the seat of arbitration for different regions shall be as follows:

<b>Seats of Arbitration – REGIONAL ARBITRATION CENTRES (RAC)</b>	<b>STATES &amp; UNION TERRITORIES COVERED BY THE RAC</b>
<b>DELHI</b>	Delhi, Haryana, Uttar Pradesh, Uttaranchal, Himachal Pradesh, Punjab, Jammu & Kashmir, Chandigarh, Rajasthan
<b>KOLKATA</b>	West Bengal, Bihar, Jharkhand, Orissa, Assam, Arunachal Pradesh, Mizoram, Manipur, Sikkim, Meghalaya, Nagaland, Tripura, Chattisgarh
<b>CHENNAI</b>	Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Andaman & Nicobar, Lakshadweep, Pondicherry
<b>MUMBAI</b>	Maharashtra, Gujarat, Goa, Daman & Diu, Dadra & Nagar Haveli, Madhya Pradesh

(5) Save as otherwise specified by the Relevant Authority, the criteria for selection of seat of arbitration for a particular matter is as follows:

<b>Parties to Dispute</b>	<b>Place of filing the Application for Arbitration</b>	<b>Place of hearing</b>
<b>TM* V/s TM</b>	a) If the dealing offices of both Trading Members from where the dealing was carried is situated in any one of the states covered by a particular RAC then the Application for	The hearing shall be held at the RAC where the Applicant-Trading Member has filed the Application for Arbitration and the Respondent-Trading Member shall attend the hearing in

	Arbitration shall be filed by the Applicant-Trading Member in that RAC. b) If the dealing offices of both Trading Members from where the dealing was carried out are situated in states covered by different RAC then the Application for Arbitration shall be filed in the RAC covering the state in which the Respondent – Trading Member’s dealing office is situated.	that particular RAC.
<b>TM V/s C* &amp; C V/s TM</b>	The Application for Arbitration shall be filed by the Applicant at the RAC covering the state in which the <b>Constituent ordinarily resides.</b>	The hearing shall be held in that RAC where the Applicant has filed the Application for Arbitration and the Respondent shall attend the hearing in that particular RAC.

(6) Unless otherwise specifically agreed in writing between the Trading Member and the Constituent, in respect of any claims, disputes and differences arising out of internet trading between the Constituent and Trading Member, the seat of arbitration shall be the Regional Arbitration Centre within the area in which the Constituent ordinarily resided at the time of relevant trading.

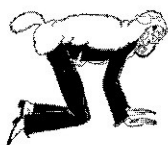
\* “TM” stands for “Trading Member” and “C” stands for “Constituent.”

For more details please refer to Chapter XI of the Byelaws and Chapter 5 of Currency Derivatives Trading Regulations of National Stock Exchange of India Limited.

# Investor Alert!

Are you dealing with a person who does trading in securities outside the trading system of the exchange?

Certain unprincipled elements reportedly arrange trading in shares outside the established trading system of recognized stock exchanges. Apparently,



they take share prices disseminated on-line by major exchanges like NSE as reference prices and they keep the accounts for such trades and their settlement unofficial, mostly on cash basis. These activities may even be combined with unofficial carry forward mechanism.

If any trading member of NSE or its registered sub-broker carries out such activities, it is committing a serious violation of the Rules, Byelaws and Regulations of NSE for which disciplinary action will be taken by NSE.



Why do you need to protect yourself against illegal trading?

The mechanisms that an investor follows for investment through the markets is of concern to us. Investors taking part in trading arrangements outside the Exchange trading mechanisms, do not get access to the dispute resolution and arbitration facilities as also the investor protection fund of NSE, in respect of any dispute.



*Invest Right, Invest Safely  
& Know Your Facts well*

- Buy and sell securities only through SEBI registered brokers or their registered sub-brokers. They are required to display their SEBI registration certificate at every location from where they extend trading facilities.
- Ensure that you receive a contract note from your broker duly filled up within 24 hours of the transaction. You may also cross-check the genuineness of the transaction on NSE through the trade verification facility on NSE website at [www.nseindia.com/content/equities/eq\\_trdverify.htm](http://www.nseindia.com/content/equities/eq_trdverify.htm)
- Ensure that you receive your money/shares within the next working day of the NSE scheduled pay out date for respective settlement.
- Deliver/receive your shares only to/from your SEBI registered broker/sub-broker.
- Make and receive all payments in respect of margins and settlement obligations only by way of Account payee cheque/demand draft, to/from your SEBI registered broker/sub-broker.

These guidelines are for your benefit. Act on it.



**NATIONAL STOCK EXCHANGE OF INDIA LIMITED**

"Exchange Plaza", Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051

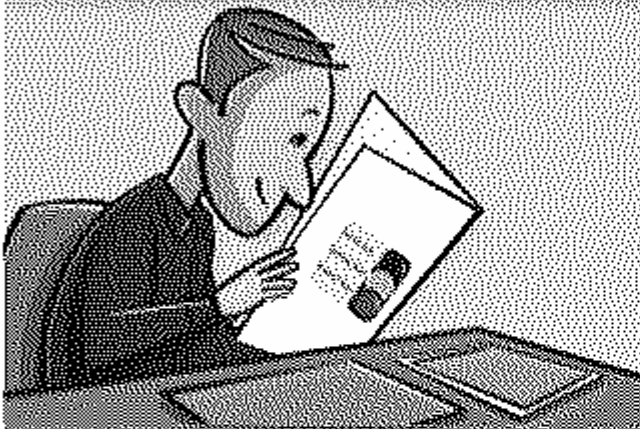
Tel : 022-26598100-8114, Fax : 022-26598120, Email: [cc\\_nse@nse.co.in](mailto:cc_nse@nse.co.in),

Please visit our website: [www.nseindia.com](http://www.nseindia.com)

Issued in public interest by NSE.

A B and U

**Invest your time before  
you invest your money.**



**A few pointers for investors:**

- Opt for SEZ companies whenever possible.
- Do a thorough valuation before trading in any security.
- Invest in stocks that show a higher level of price volatility activity without a change in the fundamentals of the company.
- Invest in stocks by reasons of industry or global business that promise large returns.
- Do not be attracted to stocks promoted by internet marketing, research reports, tips, etc. unless you have done adequate study of the company.

Soch kar  
Samaj kar  
Invest kar



**NSE Investor Protection Fund Trust**  
Investor Protection through regulation

Visit our website to know more about NSE Investor Protection Fund Trust.

**Exhibit - 4**

**i) CERTIFICATE FOR INTERNAL AUDIT**

We have examined the relevant books of accounts, records and documents maintained by M/s. \_\_\_\_\_, (name of the trading/clearing member) bearing SEBI registration number \_\_\_\_\_) a member of the National Stock Exchange of India Limited for the following segments to fulfill the internal audit requirement as prescribed by SEBI vide Circulars dated 22 August 2008 & 21 October 2008 for the half year ended\_\_\_\_\_.

Segment (Cash Segment/Derivatives Segment / Debt Segment /Currency Lending & Derivatives/Securities Borrowing segment)	Activity (Trading/Clearing/Trading and Clearing)	SEBI registration number

The purpose of this Audit is to examine that the processes, procedures followed and the operations carried out by the Trading Member/Clearing Member are as per the applicable Acts, Rules, Regulations, Bye-laws and Circulars prescribed by SEBI and the stock exchange.

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of this Internal Audit. In our opinion proper books of accounts, records and documents, as per the regulatory requirement have been maintained by the member, so far as it appears from examination of the books.

We have conducted the audit within the framework provided by SEBI/Stock Exchange for the purpose of this Internal Audit.

To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud / non-compliance /violation by the Member is observed during the course of this Audit.

Based on the scrutiny of relevant books of accounts, records and documents , we certify that the Member has complied with the relevant provisions of SEBI Act, 1992, Securities Contracts (Regulation) Act 1956, Securities Contracts (Regulation) Rules 1957, SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 and various circulars of SEBI. The Member has complied with the Rules, Bye laws, Regulations of NSE and various circulars issued by the Stock Exchange and the Clearing Corporation.

We declare that we do not have any direct / indirect interest in or relationship with the member or its share holders / directors / partners / proprietors / management and also confirm that we do not perceive any conflict of interest in such relationship / interest while conducting internal audit of the said member.

In our opinion and to the best of our information and according to the explanations given to us by the proprietor/partner (s)/director (s)/ compliance officer, the Report provided by us as per the Annexure and subject to our observations, which covers the entire scope of the Audit, is true and correct.

\_\_\_\_\_  
Company Secretary / Cost and Management Accountant / Chartered Accountant  
(Seal & Signature)

(Name of the Proprietor / Partner)

Membership no. / CP. No.

Place:-

Date:-



i) **Guidelines and format of Internal Audit Report specifying the minimum scope to be covered.**

Sr. no.	Particulars	Comments of internal auditor (whether member has complied with?)	Remarks of internal auditor (In case non compliance observed )	Whether auditor observation/qualification accepted by management?	Comments of Management (Parawise, where auditor has reported non-compliance )	Sample Size
<b>1</b>	<b>Client registration documentation /Anti Money Laundering compliance</b>					
<b>a</b>	Whether KYC, MCA/TPA, RDD are executed in the prescribed formats and the same is executed before execution of trades for the client ?	<b>Yes/No</b>		<b>Yes/No</b>		<b>25 clients or 100% whichever is lower</b>
<b>b</b>	Whether UCC is allotted to the client & the same is uploaded to the Exchange with PAN?	<b>Yes/No</b>		<b>Yes/No</b>		<b>25 clients or 100% whichever is lower</b>
<b>c</b>	Whether all fields in KYC including client's financial details are filled in properly?	<b>Yes/No</b>		<b>Yes/No</b>		<b>25 clients or 100% whichever is lower</b>
<b>d</b>	Whether proper proof of identity, PAN, address, bank, demat are taken with KYC form?	<b>Yes/No</b>		<b>Yes/No</b>		<b>25 clients or 100% whichever is lower</b>
<b>e</b>	Whether MCA/TPA does not contain any contravening clauses ?	<b>Yes/No</b>		<b>Yes/No</b>		<b>25 clients or 100% whichever is lower</b>
<b>f</b>	Whether all the mandatory clauses have been included in MCA/TPA ?	<b>Yes/No</b>		<b>Yes/No</b>		<b>25 clients or 100% whichever is lower</b>
<b>g</b>	Whether in person verification of clients is done by the employees of the trading member only?	<b>Yes/No</b>		<b>Yes/No</b>		<b>25 clients or 100% whichever is lower</b>
<b>h</b>	If in person verification is done by DP, then whether such DP is the same entity or if one of them is the holding or subsidiary company of other?	<b>Yes/No</b>		<b>Yes/No</b>		<b>25 clients or 100% whichever is lower</b>

i	Whether date of verification, name and signature of the official who has done in-person verification and the member's stamp incorporated in the client registration form?	Yes/No		Yes/No		25 clients or 100% whichever is lower
j	Whether copies of all the documents executed by client are given to the respective clients?	Yes/No		Yes/No		25 clients or 100% whichever is lower
k	Whether change in address, bank account or demat account is carried out on receipt of written request along with documentary proof from the respective client?	Yes/No		Yes/No		25 clients or 100% whichever is lower
l	Whether client details including financial details are reviewed periodically and updated?	Yes/No		Yes/No		25 clients or 100% whichever is lower
m	Whether trading code and the unique client code allotted to a client and the e-mail furnished by the client for the purpose of receiving ECN and other details, are communicated by the trading member through the KYC form or otherwise in writing to the client?	Yes/No		Yes/No		25 clients or 100% whichever is lower
n	Whether trading member has sent information to clients pertaining to segments/exchanges where client is registered to trade (through copy of KYC or otherwise)?	Yes/No		Yes/No		25 clients or 100% whichever is lower
o	Whether Trading member has communicated policies & procedures to its client (through copy of KYC or otherwise)?	Yes/No		Yes/No		25 clients or 100% whichever is lower
p	<b>Whether sufficient information is obtained in order to identify persons who beneficially own or control securities account?</b>					
q	<b>Whether the Member has process to verify the identity of the customer and/or the person on whose behalf a transaction is being conducted?</b>					
r	<b>Whether risk profiling of the clients has been done as per the written down policy of the trading member?</b>	Yes/No		Yes/No		<b>Audit period</b>

s	Whether Member has adopted enhanced due diligence process for High risk clients?	Yes/No		Yes/No		Audit period
t	Whether continuous due diligence and scrutiny is being conducted for the clients?	Yes/No		Yes/No		Audit period
u	Whether member is having clearly defined policy for acceptance of clients and whether it has been ensured that an account is not opened where the member is unable to apply appropriate client due diligence measures/KYC Policies?	Yes/No		Yes/No		Audit period
v	Whether Member has identified clients of special category (CSC) ?	Yes/No		Yes/No		Audit period
w	Whether Member has identified clients identification procedures & programs at various stages?	Yes/No		Yes/No		Audit period
x	<i>Whether Documents executed with clients does not contain clauses/terms which is in contravention to rules, regulations, articles, byelaws , circulars , directives and guidelines of SEBI and Exchanges?</i>	Yes/No		Yes/No		25 clients or 100% whichever is lower
y	<i>Whether Copy of Permission provided to regulated entities like Banks , Mutual Funds from its respective regulatory authorities for dealing in currency derivative segment is taken before registering the same as a client in currency derivative segment ?</i>	Yes/No		Yes/No		25 clients or 100% whichever is lower
	Applicable only with respect to clients registered on or after July 01, 2010					
z	<i>Whether Constituent registration form consists of an Index Page listing all the documents contained in it and indicating briefly significance of each document?.</i>	Yes/No		Yes/No		15 clients

Za	<i>Whether Registration document Folder/Book contains two parts mandatory &amp; non-mandatory?</i>	Yes/No		Yes/No		15 clients
Zb	<i>Whether Client has countersigned against stock exchange as well as market segment where he intends to trade?</i>	Yes/No		Yes/No		15 clients
Zc	<i>Whether Trading member has made provisions to capture identity and address proof of the Introducer in the KYC form?</i>	Yes/No		Yes/No		15 clients
Zd	<i>Whether Trading member has made provisions to capture details of action taken against a client by SEBI or other financial sector regulator?</i>	Yes/No		Yes/No		15 clients
Ze	<i>Whether all the documents in both the mandatory &amp; non-mandatory parts are printed in minimum font size of 11 and are legible for Investors to read?</i>	Yes/No		Yes/No		15 clients
Zf	<i>Whether Copies of duly completed Client Registration Documents viz. Constituent Registration Form (KYC), Member Constituent Agreement/ Tripartite Agreement (MCA), Risk Disclosure Document (RDD) and any other document executed by the client, was delivered to the client free of charge and with in 7 days of upload of UCC?</i>	Yes/No		Yes/No		15 clients
Zg	<i>Whether trading member has taken documentary evidence in support of financial information provided by the client for equity derivatives segment?</i>	Yes/No		Yes/No		15 clients
Zh	<i>Whether authorizations from the client sought in non-mandatory document is separate &amp; do have specific consent of the client</i>	Yes/No		Yes/No		15 clients
Zi	<i>Whether trading members had displayed the set of standard documents on their own website for information</i>	Yes/No		Yes/No		
Zj	<i>Whether trading member do have a specific policy regarding treatment of Inactive account and the same is displayed on the web-</i>	Yes/No		Yes/No		

	<i>site?</i>					
Zk	<b>Whether Mandatory documents include only KYC form , MCA/Tripartite agreement in case of sub-broker and a document dealing with policies &amp; procedures?</b>	Yes/No		Yes/No		15 clients
Zl	<b>Whether Member constituent agreement does not contain any clauses other than what is specified by the Exchange/SEBI as mandatory?</b>	Yes/No		Yes/No		15 clients
2.	<b>Order management and risk management systems</b>					
a	Whether checks are in place to ensure that no unauthorized orders are executed from any of the terminals?	Yes/No		Yes/No		Audit Period
b	Whether control reports like orders executed away from market price, client-wise / scrip-wise / terminal-wise volumes / exposures are generated to monitor any manipulation or unwarranted activity?	Yes/No		Yes/No		5 days
c	In case of dormant accounts, if the account is reactivated then are there any checks in place to ensure that account is operated by the relevant client only ?	Yes/No		Yes/No		Audit Period
d	Whether initial and other margins are collected from respective clients in the prescribed form of funds, fixed deposit receipts, bank guarantees and approved securities ( <b>approved/liquid</b> ) with appropriate haircut?	Yes/No		Yes/No		5 days
e	Whether the member has a proper system for reporting the correct client margin collection to Clearing House / Clearing Corporation, in Derivatives segment?	Yes/No		Yes/No		Audit Period

<b>f</b>	Verify whether the margin reported by the member to the Exchange in Derivates segment is actually collected and available in the books of accounts of the member. In case of any irregularity observed, mention the instances wherein wrong reporting of margin collected from clients/trading members was observed.	<b>Yes/No</b>		<b>Yes/No</b>		<b>5 days</b>
<b>g</b>	Whether Risk Management System (RMS) includes policy on margin collection from clients/trading member and the RMS is well documented?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit Period</b>
<b>h</b>	Whether proper systems are in place to ensure timely collection for pay-in from the respective client as per settlement schedule?	<b>Yes/No</b>		<b>Yes/No</b>		<b>One day</b>
<b>i</b>	Whether proper monitoring mechanism is in place to review long outstanding debit balances in clients' account and recovery of the same? Give age wise analysis of debts outstanding for more than 30 days and the recovery pattern for the same	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>
<b>j</b>	Whether member has reported details of client funding, if any, to the exchange within prescribed time limit?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Upload files</b>
<b>k</b>	What are the sources of funds in case client funding is observed?					
<b>l</b>	<b><i>Confirm that trading member has not undertaken or was not party to or has not facilitated any fund based activity through financier</i></b>	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit Period</b>
<b>m</b>	Whether all institutional trades are routed through custodians by following Straight Through Processing(STP) ?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Logs of five dates for which trades have been verified</b>
<b>n</b>	In case Institutional trades have not been routed through custodian, what are the reasons for the same? Whether any specific pattern is observed for the same?	<b>Yes/No</b>		<b>Yes/No</b>		

<b>o</b>	Whether member has obtained prior approval from the exchange before providing terminal to the clients under DMA facility?	Yes/No		Yes/No		Check the approval letter
<b>p</b>	Whether member has complied with regulatory requirements related to DMA?	Yes/No		Yes/No		2 cases
<b>3</b>	<b>Contract notes, Client margin details and Statement of accounts</b>					
<b>a</b>	Whether contract notes are sent within 24 hours of execution of trades?	Yes/No		Yes/No		5 days
<b>b</b>	<b>Confirm that trading member did not issue contract notes for fictitious transactions</b>	Yes/No		Yes/No		5 days
<b>c</b>	Whether all prescribed details including name and signature of authorized signatory, dealing office details and brokerage are contained in contract note?	Yes/No		Yes/No		One day
<b>d</b>	Whether Margin details are sent daily to respective clients ?	Yes/No		Yes/No		5 days
<b>e</b>	Whether Proof of delivery / dispatch is maintained?	Yes/No		Yes/No		5 days
<b>f</b>	Whether contract notes bear running serial no: initiated at the beginning of each financial year?	Yes/No		Yes/No		5 Days
<b>g</b>	In case contract notes and margin details are sent in electronic form, whether sent log is maintained?	Yes/No		Yes/No		5 days
<b>h</b>	Whether trail of bounced mails is maintained and physical delivery is ensured in case of bounce mails?	Yes/No		Yes/No		5 days
<b>i</b>	Whether member has complied with regulatory requirements related to Electronic contract notes (ECN)?	Yes/No		Yes/No		5 days
<b>j</b>	Whether complete statement of accounts for funds and securities are issued on a quarterly basis to clients (wherever applicable), with error reporting clause? Whether proof of sending the same is maintained?	Yes/No		Yes/No		Quarterly statement for the quarter ended June 2010
<b>k</b>	<b>In cases wherein trading member has generated e-mail id for clients , Whether trading member had taken duly signed physical confirmation letter confirming the</b>	Yes/No		Yes/No		25 clients or 100% which ever is lower

	<i>e-mail id and exercising choice to receive documents on that e-mail id.</i>					
	Applicable only with respect to clients registered on or after July 01, 2010					
<b>l</b>	<i>Whether trading member has not created/provided e-mail ids for clients?</i>	Yes/No		Yes/No		15 clients
<b>m</b>	<i>Whether the authorization for receiving electronic contract note is in writing and is signed by client only, not by power of attorney holder?</i>	Yes/No		Yes/No		25 clients or 100% which ever is lower
<b>n</b>	<i>Whether the authorization of electronic contract note contains a clause that any change in the e-mail id shall be communicated by the client through a physical letter to the trading member?</i>	Yes/No		Yes/No		15 clients
<b>4</b>	<b>Dealing with clients' funds and securities</b>					
<b>a</b>	Whether no cash dealings with clients are done in violation of the prescribed norms?	Yes/No		Yes/No		5 days
<b>b</b>	Whether banker's cheque / demand draft are accompanied with written request from the respective client?	Yes/No		Yes/No		5 days
<b>c</b>	Whether pay-in / pay out was received from / made to account from the respective client account and systems are in place to ensure compliance in this regard by the member?	Yes/No		Yes/No		5 days
<b>d</b>	Whether client's funds / securities are transferred to respective clients within one working day of payout from Exchange?	Yes/No		Yes/No		5 days
<b>e</b>	<i>Whether Payments to clients is not made from own bank account ?</i>	Yes/No		Yes/No		5 days
<b>f</b>	<i>Whether Constituent securities received as margin is not deposited in own beneficiary account?</i>	Yes/No		Yes/No		5 days
<b>g</b>	<i>Whether the Delivery of securities to constituent is not made from own beneficiary account ?</i>	Yes/No		Yes/No		5 days



<b>h</b>	<b>Whether Excess Brokerage was not charged on trades executed on the Exchange?</b>	<b>Yes/No</b>		<b>Yes/No</b>		<b>5 days</b>
<b>i</b>	<b>Whether separate code for buy and sell for NRI clients is used?</b>	<b>Yes/No</b>		<b>Yes/No</b>		<b>5 days</b>
<b>j</b>	<b>Whether one client code for order entry for each client is maintained?</b>	<b>Yes/No</b>		<b>Yes/No</b>		<b>5 days</b>
<b>k</b>	Whether clients funds and securities are not misutilised ? If misutilised,instances to be provided	<b>Yes/No</b>		<b>Yes/No</b>		<b>5 days</b>
<b>l</b>	Whether collaterals of clients were not pledged with banks / other entities for raising funds? Instances to be given in case collaterals are pledged with banks / other entities?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>
<b>m</b>	Whether funds raised by pledging client securities were utilised for respective client only? List of instances to be provided in case of non-utilisation of proceeds for respective client?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Highest day of overdraft availed during the audit period</b>
<b>n</b>	Whether Overdraft facility is not taken in Client Bank Account?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>
<b>o</b>	Whether bank book and register of securities are in alignment with bank statements and transaction statements provided by banks and depositories respectively?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Bank reconciliati on and beneficiary reconciliati on as on end of audit period i.e September 30<sup>th</sup> 2010</b>

p	Whether dividend and other corporate benefits received on behalf of clients is paid/credited/passed on to the respective clients account without any delay?	Yes/No		Yes/No		Audit period
q	<i>Whether Trading member has taken consent from the client regarding monthly/quarterly settlement?</i>	Yes/No		Yes/No		25 clients or 100% which ever is lower
r	<i>Whether Trading member has done actual settlement of funds &amp; securities as consented by the client (monthly/quarterly)?</i>	Yes/No		Yes/No		Audit Period
s	<i>Whether Periodicity of actual settlement of funds/securities is not more than 3 months/1 month in cases wherein client has consented for quarterly/monthly settlement respectively?</i>	Yes/No		Yes/No		Audit Period
t	<i>Whether trading member has sent statement of accounts for funds containing an extract from the client ledger for funds displaying all receipts/deliveries of funds while settling the account explaining retention of funds?</i>	Yes/No		Yes/No		Audit Period
u	<i>Whether error reporting clause in statement of accounts for funds &amp; Securities is not less than 7 days?</i>	Yes/No		Yes/No		Audit Period
v	<i>Whether trading member has sent statement of accounts for securities containing an extract from the register of securities displaying all receipts/deliveries of securities while settling the account explaining retention of securities &amp; pledge (if any)?</i>	Yes/No		Yes/No		Audit Period

<b>W</b>	<i>Whether trading member has not done any inter-client adjustment for the purpose of settlement?</i>	Yes/No		Yes/No Yes/No		<b>Audit Period</b>
	Applicable only with respect to clients registered on or after July 01, 2010					
<b>x</b>	<i>In case running account authorization is taken by trading member from client(s), whether it contains a clause which explicitly allows a client to revoke the said running account authorization at any time?</i>	Yes/No		Yes/No		<b>25 clients or 100% which ever is lower</b>
<b>y</b>	<i>Whether running account authorization taken by trading member from client is signed by client only and not by PoA holder?</i>	Yes/No		Yes/No		<b>25 clients or 100% which ever is lower</b>
<b>z</b>	<i>Whether running account authorization contains a clause that it requires to be renewed every year and dated ?</i>	Yes/No		Yes/No		<b>25 clients or 100% which ever is lower</b>
<b>5</b>	<b>Banking and Demat account operations</b>					
<b>a</b>	Whether member maintains separate bank account for client funds and own funds. Also whether member maintains separate beneficiary account for clients securities and own securities?	Yes/No		Yes/No		<b>Audit Period</b>
<b>b</b>	Whether clients funds and securities are segregated from own funds and securities?	Yes/No		Yes/No		<b>Audit Period</b>

<b>c</b>	Whether constituent beneficiary account or client bank account are used for authorized purposes only ? In case of any irregularity observed, mention the instances in detail.	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit Period</b>
<b>6</b>	<b>Terminal operations and systems</b>					
<b>a</b>	Whether terminals are provided by the member in its head office, branch office or the office of sub broker only?	<b>Yes/No</b>		<b>Yes/No</b>		<b>100%</b>
<b>b</b>	Whether no terminal is allotted for unauthorized purposes ?	<b>Yes/No</b>		<b>Yes/No</b>		<b>100%</b>
<b>c</b>	Whether periodic audit of systems and software including internet trading is conducted by certified system auditor (wherever applicable) and submitted the system audit report to the Exchange within prescribed time limit?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Latest system audit report</b>
<b>d</b>	Whether terminals are operated by approved persons/approved users with valid NCFM/BCSM/NISM certification?	<b>Yes/No</b>		<b>Yes/No</b>		<b>100%</b>
<b>e</b>	Whether correct User name, terminal location are reported to the Exchange?	<b>Yes/No</b>		<b>Yes/No</b>		<b>100%</b>
<b>f</b>	Whether internal controls are in place to ensure that the certification of approved users has not expired?	<b>Yes/No</b>		<b>Yes/No</b>		<b>100%</b>
<b>g</b>	Whether prior permission is obtained by member for providing CTCL/IML? Whether member has complied with applicable provision of CTCL/IML?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Check the approval letter</b>
<b>h</b>	Whether back up facilities are in place and followed?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit Period</b>
<b>i</b>	Whether sufficient system for data security is in place?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit Period</b>
<b>7</b>	<b>Management of branches / sub brokers and internal control</b>					
<b>a</b>	Whether survey is conducted by the member for opening / closing of branches?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit Period</b>
<b>b</b>	In case of closure of branch, whether advance notice of the same is sent to clients?	<b>Yes/No</b>		<b>Yes/No</b>		<b>All branches closed during the</b>

						<b>period</b>
<b>c</b>	Whether there is monitoring mechanism to identify sudden increase / decrease in client level turnover from any specific branch?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>
<b>d</b>	Whether periodic inspection of branch / sub broker is conducted and reports are maintained? What is the follow-up mechanism?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>
<b>e</b>	Whether trading member has not dealt with unregistered intermediaries for transactions on the Exchange?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>
<b>f</b>	Whether the member has not shared commission/brokerage with entities with whom trading members are forbidden to do business / another trading member / employee in the employment of another trading member?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>
<b>g</b>	Whether Stock broker indemnity policy with standard cover/clauses has been taken ?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Latest insurance policy</b>
<b>8</b>	<b>Investor grievance handling</b>					
<b>a</b>	Number and value of investor complaints pending at the beginning of half year					<b>Audit Period</b>
<b>b</b>	Number and value of investor complaints received during half year					<b>Audit Period</b>
<b>c</b>	Number and value of investor complaints resolved during half year					<b>Audit Period</b>
<b>d</b>	Number & value of investor complaints pending as on the last day of half year					<b>Audit Period</b>
<b>e</b>	Give breakup of the pending investor complaints from branch/Head office/sub broker					<b>Audit Period</b>
<b>f</b>	Comment on investor grievance handling mechanism of the member.					<b>Audit Period</b>
<b>g</b>	Summary on nature of complaints received and action taken by the member					<b>Audit Period</b>
<b>h</b>	What is the duration of the longest pending investor complaint?					<b>Audit Period</b>

i	Whether specific action plan is framed by the member in respect of long pending complaints?	Yes/No		Yes/No		Audit Period
j	Whether designated email id for investor grievance is created and informed to the investors?	Yes/No		Yes/No		Audit Period
k	Whether complaints received on the designated email ID are being looked into to address the same?	Yes/No		Yes/No		Audit Period
g	<b>Maintenance of Books of Accounts</b>					
a	Whether prescribed books of accounts, registers and records are maintained with the required details and for the stipulated period as per regulatory requirement?	Yes/No		Yes/No		Audit period
b	Whether register of securities is maintained client wise-scrip wise?	Yes/No		Yes/No		Audit period
c	Whether exchange wise separate books of accounts are maintained?	Yes/No		Yes/No		Audit period
d	Whether trading member has not dealt with suspended/ defaulter/expelled members and entities prohibited from accessing market?	Yes/No		Yes/No		Audit period
e	<b>Confirm that Trading member has adequate systems and checks in place to ensure that SEBI debarred entities are unable to trade ?</b>	Yes/No		Yes/No		Audit Period
f	Whether prior approval has been obtained by member for change in shareholding/directors/constitution?	Yes/No		Yes/No		Audit period
g	Whether prior approval has been obtained in case the member has dealt with another member of the Exchange?	Yes/No		Yes/No		Audit period
h	Whether member has intimated the Exchange in case of they have dealt with member of another stock exchange?	Yes/No		Yes/No		Audit period
i	Whether advertisements are issued after prior permission of the Exchange?	Yes/No		Yes/No		Audit period
j	Whether member maintains and update client master in its back	Yes/No		Yes/No		Audit period

	office?					
<b>k</b>	Whether Notice board of the Trading Member was displayed at the location of audit?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit Period</b>
<b>l</b>	Whether SEBI registration certificate of the Trading Member was displayed at location of audit?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit Period</b>
<b>m</b>	<b><i>Whether Trading Member maintains all records which relate to the terms and conditions with respect to the opening and maintenance of such account after the closing of any constituents account?</i></b>	<b>Yes/No</b>		<b>Yes/No</b>		
<b>n</b>	<b><i>Whether Member has made arrangements for an internal review, atleast annually, of the business designed to detect and prevent violations of and to achieve compliance of, the Byelaws, Rules and Regulations of the Exchange?</i></b>	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit Period</b>
<b>o</b>	Comments of the auditor on the analysis of financial reports of the member.					<b>Audit period</b>
<b>10</b>	<b>Systems &amp; Procedures pertaining to Prevention of Money Laundering Act, PMLA, 2002</b>					
<b>a</b>	Whether details of appointment of Principal Officer and change in Principal Officer, if any, is intimated to FIU-India?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>
<b>b</b>	Whether member has adopted and implemented written guidelines prescribed under PMLA, 2002?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>
<b>c</b>	Whether Member has adequate system in place that allows continuous monitoring of transactions and generate alerts based on set parameters for	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>

	suspicious transactions ?					
<b>d</b>	Whether Member has adequate systems & procedures in place to ensure screening of employees while hiring ?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>
<b>e</b>	Whether member has adequate systems in place to scrutinize the alerts and arrive at suspicious transactions?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Check for any one day to see alerts have been generated in accordance with written policy of the member and check the disposal of the same</b>
<b>f</b>	Whether member has appropriate procedures for reporting of suspicious transactions to FIU	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>
<b>g</b>	Total no. of alerts generated during the half year					<b>Audit period</b>
<b>h</b>	No. of STRs filed by the member during half year.					<b>Audit period</b>
<b>i</b>	As per provisions of Prevention of Money Laundering Act, 2002 whether record of transactions, it's nature and it's value are maintained and preserved as prescribed under Rule 3 of PMLA?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>
<b>j</b>	Whether Member has ongoing training program for employees so that members of the staff are adequately trained in AML and CFT (Combatting Financing of Terrorism) procedure ?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>
<b>11</b>	<b>Transfer of trades</b>					
<b>a</b>	Whether trades were executed in respective clients account and are not transferred from one client code to another client code or from client	<b>Yes/No</b>		<b>Yes/No</b>		<b>10 days</b>



	code to pro or vice-versa in the back office of the member, without informing the Exchange?  In case of such transfers, if any specific pattern is observed instances to be provided					
<b>12</b>	<b>Margin Trading</b>					
<b>a</b>	Whether member has obtained specific approval from the exchange, in case he is providing margin trading facility to his clients?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>
<b>b</b>	Whether member has complied with regulatory requirements related to margin trading?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>
<b>13</b>	<b>Proprietary Trading</b>					
<b>a</b>	If member is doing pro trading, whether member has disclosed this information to his clients?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>
<b>b</b>	If member is doing pro trading from multiple locations, whether member has obtained prior approval from the Exchange in this regard?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>
<b>14</b>	<b>Internet Trading</b>					
<b>a</b>	Whether member has obtained specific approval from the exchange, in case he is providing internet trading facility to his clients?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>
<b>b</b>	Whether member has complied with regulatory requirements related to internet trading?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>
<b>15</b>	<b>Execution of Power of Attorney (POA)</b>					
<b>a</b>	If trading member obtains POA from any of their clients, mention no. of clients from whom the member has obtained POA					
<b>b</b>	Whether the POA is in the name of the member and it is not in the name of any of its employees or representatives or sub-brokers?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit period</b>

c	Whether Power of Attorney executed in favour of trading member is only limited to the following purposes allowed as per regulatory provisions?					
(i)	<b><i>Transferring securities held in beneficial owner account(s) of client (s) towards stock exchange related margin/delivery obligations arising out of trades executed by the client(s) through the same trading member.</i></b>	Yes/No		Yes/No		Audit period
(ii)	<b><i>Pledging the securities in favor of trading member for the limited purpose of meeting the margin obligation on account of trades executed by the client on the stock exchange through the same trading member</i></b>	Yes/No		Yes/No		Audit period
(iii)	<b><i>To apply for various products like mutual funds, public issues, rights, offer of shares , tendering shares in open offer etc pursuant to specific instructions of the client(s)</i></b>	Yes/No		Yes/No		Audit period
(iv)	<b><i>Transferring funds from bank account(s) of the client for meeting the settlement/margin obligation of the client(s) in connection with trades executed by the clients on the stock exchange through the same trading member</i></b>	Yes/No		Yes/No		Audit period
(v)	<b><i>For recovering any outstanding amount from client(s) bank account which is due from the client(s) on account of client(s) trading activities</i></b>	Yes/No		Yes/No		Audit period
(vi)	<b><i>For recovering any other obligation from client bank account(s) arising out on account of client (s) subscribing to other products/services availed through trading member such as mutual funds, public issues, rights, offer of shares etc</i></b>	Yes/No		Yes/No		Audit period
(vii)	<b><i>For recovering fees/charges from client bank account(s) which is due to trading member on account of various</i></b>	Yes/No		Yes/No		Audit period

	<i>products/services availed through the trading member.</i>					
d	<i>Whether PoA executed consists of details of beneficial owner account(s) and bank account (s) of the client that trading member is entitled to operate?</i>	Yes/No		Yes/No		Audit period
e	<i>Whether PoA executed comprises of list of clients &amp; trading members bank account where securities and funds can be moved?</i>	Yes/No		Yes/No		Audit period
f	<i>Whether PoA is adequately stamped as per law prevailing in the place where the PoA is executed?</i>	Yes/No		Yes/No		Audit period
g	<i>Whether PoA executed is revocable any time without notice?</i>	Yes/No		Yes/No		Audit period
h	<i>Whether PoA executed does not allow off market transactions, transfer of funds from the bank account(s) of the clients for trades executed by clients through another stock broker, opening of trading account, execution of trades without client's consent, merging of dues under various accounts, opening of e-mail account on behalf of client(s) and renouncing of liability for any losses arising due to blocking of funds on account of erroneous instruction of trading member to the designated bank.</i>	Yes/No		Yes/No		Audit period
i	<i>Whether PoA executed does not prohibit operation of trading account by client(s)</i>	Yes/No		Yes/No		Audit period
j	<i>Whether Duplicate copy of PoA is provided to client(s) after execution</i>	Yes/No		Yes/No		Audit period
k	<i>What are the internal controls adopted by the member to ensure that POA is not misutilised?</i>					Audit period

<b>16</b>	<b>Operations of Professional Clearing member/ Members clearing trades of other trading members</b>					
<b>a</b>	Whether all the mandatory clauses have been included in CM - TM agreement (wherever applicable)?	<b>Yes/No</b>		<b>Yes/No</b>		<b>25 members or 100% whichever is lower</b>
<b>b</b>	Whether Clearing member custodial participant agreements are executed in prescribed formats(whenever applicable)?	<b>Yes/No</b>		<b>Yes/No</b>		<b>25 members or 100% whichever is lower</b>
<b>c</b>	Whether statement of accounts has been sent to trading member/custodial participants/?	<b>Yes/No</b>		<b>Yes/No</b>		<b>5 days</b>
<b>d</b>	Whether clearing members had collected appropriate and adequate margins in prescribed forms from respective trading members?	<b>Yes/No</b>		<b>Yes/No</b>		<b>5 days</b>
<b>e</b>	Whether Margin collection reported to Exchange is in accordance with margins actually collected from trading member ?	<b>Yes/No</b>		<b>Yes/No</b>		<b>5 days</b>
<b>f</b>	Whether exposure allowed to trading members were based on requisite margins available with the clearing member?	<b>Yes/No</b>		<b>Yes/No</b>		<b>5 days</b>
<b>g</b>	If interest is charged to the trading member, what is the basis of interest with complete details like percentage of interest, periodicity of interest charged					<b>5 days</b>
<b>17</b>	<b>Securities Lending &amp; Borrowing Scheme</b>					
<b>a</b>	Whether member has obtained specific approval from the exchange for offering SLBS?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit Period</b>
<b>b</b>	Whether member has complied with regulatory requirements related to SLBS ?	<b>Yes/No</b>		<b>Yes/No</b>		<b>Audit Period</b>
<b>18</b>	<b>Compliance status of last inspection carried out by SEBI/Exchanges/Internal Auditor</b>					
<b>a</b>	Whether member has complied with the qualifications/violations made in last SEBI inspection report?	<b>Yes/No</b>		<b>Yes/No</b>		

<b>b</b>	Whether member has complied with the qualifications/violations made in last Exchange inspection report?	<b>Yes/No</b>		<b>Yes/No</b>		
<b>c</b>	Whether member has complied with the qualifications/violations made in latest half yearly Internal Audit report ?	<b>Yes/No</b>		<b>Yes/No</b>		
<b>d</b>	Give status of compliance against each qualifications/violations observed in last inspection report of SEBI/Exchange/Internal Auditor					
<b>19</b>	<b>Comments of the auditor on any other area (Give details of the comments)</b>					

Signature of the Auditor: \_\_\_\_\_

Name of the Auditor : \_\_\_\_\_

Membership No : \_\_\_\_\_

Stamp of the Audit Firm : \_\_\_\_\_

**Points to be noted:**

The guidelines prescribed hereunder do not limit the scope of the internal audit. The points mentioned are only indicative in nature and not exhaustive. It however, does not limit the scope of the internal audit. This has been prepared based on the regulatory requirement (as per relevant acts, rules, regulations and circulars) which keep on developing from time to time. The auditors should peruse them and update the scope of the audit.

The report shall also include the following.

**1. Management comments**

- a) In case of any non compliances/findings/observations/qualifications by the auditor the management responses should be given to the Exchange against each point. Further para wise comments are required to be given by the management as given in the format above.
- b) The trading member to mention the date on which the report has been presented to the Board/Management/Audit Committee/Proprietor for their approval and indicate corrective and preventive actions taken by the management for addressing the deficiencies along with the timeliness of when the agreed suggestions would be implemented .

- c) **In case of receipt of internal audit reports without management comments / only certificate and no report, the same shall be treated as non submissions.**
2. Improvements brought about in the operations between the last audit and the current audit.
  3. A statement by the auditor that the provisions of SCRA 1956, SEBI Act 1992, SEBI (Stock Brokers and Sub-brokers) Regulations 1992, SCRR 1957, Rules, Bye laws, Regulations, circulars of SEBI, agreements, Bye laws of Exchange/Clearing Corporation, data security and insurance have been covered in the audit.
  4. Auditor shall specifically declare about direct / indirect interest in or relationship with the member or its share holders / directors / partners / proprietors / management if any and also confirm that they do not perceive any conflict of interest in such relationship / interest while conducting internal audit of the said member.
  5. Membership number allotted by the affiliated professional body should be quoted at the bottom of the report as provided in the format .Each page of the report shall be signed and stamped by the auditor.
  6. **In case any violations/qualifications/observations are observed by the auditor the same shall be submitted as annexure with complete details and should be quantified specifying the no of instances, value etc. and the evidences should be enclosed with the Internal Audit Report.**
  7. **Sample size indicated in the format above is minimum sample size. The auditor may increase the sample size as it may deem fit. It is desirable that the sample selected is representative sample of the population.**
  8. **The internal audit report should be submitted to the Exchange as per the report format specified above.**
  9. **In case where internal audit report submitted is incomplete and not as per the guidelines like sample size not given, only certificate submitted without report, same would be treated as non submission of internal audit report. Exchange reserves the right to advise a Member to change it's auditor if quality of the report is not satisfactory or the audit is not carried out as per guidelines.**
  10. **If in the opinion of the auditors, any observation related to any area also possess a risk relating to Anti Money Laundering (AML) or Combating Financing of Terrorism (CFT) then such observation should be highlighted clearly specifying the risk relating to it.**

**Exhibit 5****List of common violations and applicable penalties in respect of violations observed during inspections or otherwise in CM Segment, WDM, F&O segments and CD Segment)**

<b>Sr. No.</b>	<b>Details of contravention</b>	<b>Penalty (Fine in rupees)</b>
<b>I - Dealings with clients</b>		
<b>1</b>	<b>Client registration documents</b>	
	(a) Not provided / Not executed	₹ 10,000/- per client
	(b) Inclusion of contravening clauses / omission of material details	₹ 10,000/-
	(c) otherwise not in the prescribed format	Advice
<b>2</b>	(a) Record of in person verification of clients at the time of client registration not maintained	₹ 500 per client
	(b) Other discrepancies in carrying out in person verification of clients	Warning
<b>3</b>	Copy of client registration documents not delivered / Trading Code, UCC and mail id not communicated in writing / Policies and Procedures not communicated to clients	Advice
<b>4</b>	<b>Bank and demat account operations</b>	
	(a) Separate clients bank or demat account not maintained	₹ 10,000/-
	(b) Pay in / payout not received from / delivered to respective clients/ Inter-client adjustment done for the purpose of settlement of accounts	In excess of 2% of number of instances, fine of ₹ 10,000/- Otherwise, advice
	(c) Non-segregation of own and clients' funds or securities	In excess of 2% of number of instances, fine of ₹ 10,000/- Otherwise, advice
	(d) Delay in release of payout of funds or securities / Actual settlement of funds & securities of clients (monthly / quarterly) not done	In excess of 2% of number of instances, fine of ₹ 10,000/- Otherwise, advice
	(e) Delayed / non-payment of dividend (delay in excess of 90 days)	0.5 % of the amount (₹ 10,000/- if amount not known)
	(f) Running account authorization not renewed every year / Running account authorization not signed by client but by POA holder / Client preference for monthly / quarterly settlement not obtained / Other discrepancies in running account authorization from clients	Advice
<b>5</b>	Use of multiple codes for a client or own trades	Advice
<b>6</b>	Daily Margin statement not sent	In excess of 2% of number of clients, fine of ₹ 5,000/- Other discrepancies – Advice

Sr. No.	Details of contravention	Penalty (Fine in rupees)
7	Quarterly statement of accounts for funds or securities not sent / Non issue of transaction statement displaying all receipts and deliveries of funds / inward and outward movements of securities while settling the account along with statement explaining retention of funds & securities / Periodicity of actual settlement of funds & securities is in excess of period specified by client in consent letter	In excess of 2% of number of clients, fine of ₹ 10,000/- Other discrepancies – Advice
8	Cash dealings with clients	0.1% of the value in excess of ₹ 10 lakhs Otherwise – Advice
9	Non-disclosure of trading on own account to clients / Exclusive e-mail id for investors' complaints not created or not displayed	Advice
10	Transfer of trades / Errors at the time of order entry	In excess of 2% of number of orders executed, fine of 0.1% of value of trades transferred
11	Evasion of margin	0.3% of the value of trades s. t. a minimum of ₹ 25,000/-
12	Improper use of funds raised by placing of clients securities with bank / any other financial institutions viz. funds not used for respective client obligation / margins	₹ 1,00,000/- or 0.1% of the value of misuse whichever is higher
13	Excess brokerage charged	TM to be advised to refund the excess brokerage charged to the constituents and fine equal to the excess brokerage charged or ₹ 5,000/- whichever is higher
14	Funding to clients (includes activity whereby member is charging interest and allowing further exposure to clients in spite of debit balances)	Few Instances: Advice Otherwise ₹ 50,000/-
<b>II-Contract notes related contraventions</b>		
1	Non issue of Contract Notes	₹ 50,000/-
2	Issued with material discrepancies / Duplicates or copies or proof of dispatch of contract notes not maintained/ Consent of client not obtained for sending ECN/ Not issued within 24 hours of trade execution	₹ 10,000/-
3	ECN Log report not maintained in case of bounced back mails, ECN not displayed on website, ECN's sent to Email accounts other than those created / provided by clients/ Authorization for receiving ECN not signed by client but by POA holder / E-mail id for sending ECN's of clients not created / provided by client and no physical letter confirming the e-mail id and exercising choice to receive documents on that e-mail id received from clients (In case of clients registered prior to March 2010).	₹ 5,000/-
4	Contract Note issued otherwise than in format prescribed by the Exchange / Discrepancies in authorization / consent letters for issue of ECN to client	Advice



Sr. No.	Details of contravention	Penalty (Fine in rupees)
<b>III-Margin trading related contraventions</b>		
1	Margin trading facility in scrip's other than permitted	₹ 10,000/-
2	Short collection of margin in excess of 20%	₹ 10,000/-
3	Other procedural contraventions	₹ 10,000/-
4	Agreement not executed with clients	₹ 5,000/- per client
<b>IV - Dealings with intermediaries</b>		
1	Dealing with unregistered intermediaries in CM segment / intermediaries in F&O segment	₹ 1,00,000/- per unregistered intermediary TM to be advised to ensure that the entities stopped dealing as unregistered intermediaries and directed to withdraw the terminal(s), if any, allotted to such entities, immediately. In addition to monetary fine, suspension of the trading membership may also be considered depending upon the gravity of the violation, in cases where dealings with more than 5 unregistered intermediaries (in the CM segment) and / or intermediaries (in the F&O segment) are observed
2	Doing business for / through other TMs or sub-brokers of other TMs without prior approval of the Exchange	₹ 10,000/- With brokers / sub-brokers of other exchanges – Advice
3	Inspection of sub-brokers / branches not done/ Inspection report not made available to the inspecting team	Advice
<b>V - Trading system &amp; office management</b>		
1	Unauthorized extension of NEAT terminal / Non-upload of CTCL terminals to the Exchange / Upload of CTCL details with incorrect terminal location / Location of terminal at a place other than main / branch office and the offices of registered sub brokers / authorized persons of the member.	₹ 50,000/- per terminal In cases where non-upload of details of more than five CTCL terminals are observed and such CTCL terminals are also observed to be operated by entities acting as unregistered intermediaries in the CM segment or as intermediaries in the F&O segment and / or such terminals are observed to be used for carrying out illegal trading activity, suspension of the trading membership may also be considered depending upon the gravity of the violation
2	Errors in upload of CTCL details (Non Trading ids to be excluded while levying fine)	In excess of 5 terminals, ₹ 5,000/- per terminal ( Non trading ids to be excluded while levying fine)
3	Non upload of Non trading Id's (Id's that cannot be used for trading)	Advice
4	Allowing trading terminals to be operated by persons without NCFM certification	CM - Advice F&O and CD - ₹ 1,000/- per terminal
5	Operation of terminals by persons other than the approved user / person as per Exchange records	₹ 1,000/- per terminal
6	Non-display of notice board or SEBI registration certificate	₹ 10,000/-
7	Non-appointment of compliance officer	₹ 10,000/-

Sr. No.	Details of contravention	Penalty (Fine in rupees)
8	Execution of trades on own account from locations other than those permitted by the Exchange	₹ 10,000/-
9	Not following the advertisement code of the Exchange	₹ 5,000/-
10	<b>Non-compliance with PMLA requirements</b>	
	(a) Non maintenance of Written procedures relating to PMLA	
	(b) Non Appointment of Principal Officer/ Non Intimation of change of Principal officer to FIU Delhi	
	(c) Non-Implementation of systems in place to monitor, identify suspicious transaction and procedures for reporting the same	₹ 10,000/-
	(d) Non Adoption of customer due diligence	Advice
	(e) Financial information of clients not obtained / updated / Documentary evidence related to financial information not obtained in case of clients trading in derivatives segments	Advice
	(f) Non Maintenance of records of transactions and on going training to staff members	Advice
<b>VI - Books of Accounts</b>		
1	Non-maintenance of client ledger	₹ 50,000/-
	(a) Segregation of Exchange wise client ledgers not maintained	₹ 25,000/-
	(b) Client ledger not maintained properly	₹ 25,000/-
	(c) Client-wise Scrip wise Register of securities not maintained	₹ 50,000/-
	(d) Register of Securities not in the prescribed format	Advice
	(e) Discrepancies / Incorrect details in Register of Securities / Non reconciliation of balances as per Beneficiary Account and Register of Securities	₹ 10,000/-
	(f) Books (Except Client ledger) not maintained	₹ 10,000/- per book
	(g) Books (Except Client ledger) not maintained properly	₹ 5,000/- per book
<b>VII - Margin reporting requirement</b>		
1	(a) if % of factual wrong reporting of margin collection from constituents to total margin reported as collected is :	
	Up to 5%	Warning
	> 5% and up to 10%	0.5% of the wrongly reported amount
	> 10% and up to 25%	2% of the wrongly reported amount
	> 25% and up to 50%	2% of the wrongly reported amount and suspension from trading for 1 day
	> 50%	2% of the wrongly reported amount and suspension from trading for 5 days
	(b) if % of margins not properly accounted for (excess margin available with member in the accounts of relatives, with specific authorizations) to total margin reported as collected is :	
	Up to 5%	Advice

Sr. No.	Details of contravention	Penalty (Fine in rupees)
	> 5% and up to 10%	0.5% of the wrongly reported amount, subject to a maximum of ₹ 25,000/-
	> 10% and up to 25%	0.75% of the wrongly reported amount, subject to a maximum of ₹ 50,000
	> 25% and up to 50%	1% of the wrongly reported amount, subject to a maximum of ₹ 75,000/-
	> 50%	1.25% of the wrongly reported amount, subject to a maximum of ₹ 1,00,000/-