



MCX Stock Exchange Limited

Currency Derivatives Segment

Compliance Manual

For the Members of the
Exchange and the Clearing Corporation

September 2010

PREFACE

Securities Contract (Regulation) Act, 1956 [SCRA], Securities Contract (Regulation) Rule, 1957 [SCRR], Securities and Exchange Board of India (Stock-brokers and Sub-brokers) Regulations, 1992, Rules, Bye Laws and Regulations of MCX Stock Exchange Limited (MCX-SX) and MCX-SX Clearing Corporation Limited (MCX-SX CCL) and Circulars issued by Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), MCX-SX and MCX-SX CCL require the Members to comply with certain requirements relating to functions in securities market. This manual is a compilation of relevant sections and provisions of the above mentioned statutes, regulations, etc. (up to September 30, 2010). The manual is arranged topic-wise and further segregation is made at sub-topic level wherever possible for the convenience of the readers.

A subject-wise index based on circulars is given separately to facilitate direct access to the circulars. At the end of each topic, list of relevant regulations and circulars is given along with a link to the relevant regulations / circulars issued up to 30.09.2010.

As per SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (Chapter IV Regulation 18A) it is mandatory for every Member to appoint a Compliance Officer who shall interact with the Exchange / CCL on behalf of the Member in respect of compliance with the relevant Rules, Bye-laws, Regulations and circulars. This manual will be particularly useful for the compliance officers of the Members.

We request the readers to send to us feed-back on the usefulness of this manual and suggestions on enhancement / improvement required in this manual.

DISCLAIMER

This manual provides information, solely as a reference guide and is meant to supplement the efforts of the Members in carrying out their functions. While every effort has been made to compile various relevant statutes, this manual is not meant to be a substitute to the provisions of SCRA 1956, SCRR1957, SEBI (Stock-brokers and Sub-brokers) Regulations 1992, Rules, Bye Laws and Regulations of MCX-SX and MCX-SX CCL and Circulars issued by RBI, SEBI, MCX-SX and MCX-SX CCL and it is not held out that this compliance manual is exhaustive. Members are advised to read original source for the sake of completeness on any compliance related matter. This manual includes circulars issued by MCX-SX and MCX-SX CCL up to 30.09.2010 and Members should refer to the circulars issued after that date to update themselves. The titles given in the manual are meant to draw the attention of the readers and do not purport to summarize the contents of the circulars.

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CHAPTER – I

Maintenance of Books of Accounts and other Records

Every Member shall maintain the books of accounts as mentioned in Exchange Regulation No. 15.1

As specified in regulations, Members are required to maintain following documents for the period of 5 years:

- Order confirmation slips, order modification slips, Trade confirmation slips and exercise notice records as obtained from the trading system of the Exchange.
- Statements of obligations received from the Clearing Corporation.
- Record of all statements received from the settling agencies and record of all correspondence with them.
- Order Book of Constituents in the format prescribed by the Exchange
- Order book in respect of Trading Member's own orders
- Activity Log
- Orders Cancelled Today
- New Orders Today
- Outstanding Orders Today
- Trades done Today
- Copies of all instructions obtained in writing from constituents including Participants for an order placement, order modification, order cancellation, trade cancellation, etc.
- Records in respect of interest received on securities of constituents, monies borrowed and loaned including monies received.
- Records in respect of brokerage collected separately from constituents.
- A Register of transaction (or other records of original entry) executed by Trading Members on behalf of Constituents containing following details:
 - an itemized daily record of all purchases and sales of securities
 - showing for each such transaction effected
 - contract specifications
 - value of currency Derivatives contracts
 - expiration dates of currency Derivatives contracts
 - rates both gross and net of brokerage and
 - name of constituents.
- Register of transactions for trades executed by the Trading Member on his own behalf containing such particulars as may be specified by the Exchange
- Every Trading Member shall keep such records and books of accounts, as may be necessary, to distinguish constituent's contracts from its own contracts. These should be maintained on a Pro and Client basis. This is necessary to determine the amounts of brokerage and margins to be recovered from the constituents. Such records for constituent's contracts shall inter-alia, provide for the following:

- (i) Contracts held in custody by the Trading Member as security deposit/margin, etc. Proper authorization from constituent for the same shall be obtained by Trading Member; (ii) Fully paid for constituent's securities registered in the name of Trading Member, if any, towards margin requirements, etc. (iii) Trading members should maintain records in respect of charges collected from constituents. (iv) Record of the Long and Short position of the Trading Member as well as that of each of his constituents.
- Margin book for constituents and for Trading Members' own account trades containing the particulars relating to the amount of margins deposited by each constituent and the amount of margin released to each constituent.
 - In case of closure of any client account the members are required to preserve, any records which relate to the terms and conditions with respect to the opening and maintenance of such account date of entering into agreement with the constituent, date of modification thereof date of termination and representatives of such constituent who signed in each case

As specified in regulation 15.1.6.1(a) members are required to maintain following records for 5 years, showing

- The moneys received from or on account of and moneys paid to or on account of each of his constituents; and,
- The moneys received and the moneys paid on Member's own account.

As specified in the advertisement code of the exchange, circulated vide circular no. MCX-SX/MEM/30/2008 dated November 19, 2008, members are required to retain a copy of advertisement issued for a period of three years.

As specified in regulation 15.1.5 members are required to maintain a mapping of client IDs used at the time of order entry in the trading system with those unique client IDs along with client name, address and other particulars given in the Know your Client form for the period of 7 years:

Members are also required to maintain:

- Copies of agreements executed with each of its constituent in accordance with the requirements of the Exchange on a permanent basis.
- Copies of agreements and documents executed with each of the settling agencies or banks on a permanent basis.
- Records of all relevant particulars of persons which are approved as approved users
- Originals of all communications received and copies of all communications sent by such Trading Member (including interoffice memo and communications) relating to its business as such.
- All guarantees of accounts and all powers of attorney and other evidence of the granting of any discretionary authority given in respect of any account and copies of resolutions empowering an agent to act on behalf of a Trading Member.
- All written agreements and documents (or copies thereof) entered into by that Trading Member relating to its business as such, including agreements with respect to any account.

- A record of all written complaints of its constituents showing the reference number of constituent, date, constituent's name, particulars of the complaints, action taken by the Trading Member, if the matter is referred to arbitration to the CD Segment of the Exchange then the particulars thereof and record of resolution of the complaint by the member
- Details of securities which are the property of a Member showing with whom they are deposited and if held otherwise than by the member, whether they have been lodged as collateral security for loans or advances.
- Every Member shall keep copies/duplicates of Contract Notes issued by the Member and details of any statements which are required by the Rules to appear on Contract Notes.

A Member shall intimate to the Exchange the place where these records are kept and available for audit / inspection. The requirements relating to maintenance of records shall apply not only to records of the member's principal office but also to those of any branch office and to any nominee company owned or controlled by a Member for the purpose of conducting the business of the Member.

The period for which records are to be maintained (whether 5 years or 3 years) in case of records / documents specified in regulation no. 15.1.4, 15.1.6.1 and 15.1.13, may depend upon the date of closure of account or termination of contract of a Constituent or after the final settlement or adjudication of the dispute where there is a dispute between the Member and the Constituent

In case a Member holds membership of any other recognized stock exchange/(s), it shall maintain separate books of accounts, records and documents for trades executed on each recognized stock exchange. (Exchange Regulation 15.1.3)

Enforcement agencies like CBI, Police, Crime Branch etc., have been collecting copies of the various records / documents during the course of their investigation. These original documents both in physical form and electronic form would be required by such enforcement agencies during trial case also. In view of this, Members are advised to preserve the originals of the documents both in electronic and physical form, copies of which have been taken by CBI, Police or any other enforcement agency during the course of any investigation till the trial is completed.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Contents
1	MCX-SX Regulation 15.1	NA	Maintenance of books of accounts, documents, records
2	MCX-SX Regulation 15.1.3	NA	Exchange-wise segregation of books of accounts and records
3	MCX-SX Regulation 15.1.20	NA	Preservation of documents, copies of which have been taken by any investigating authority
4	MCX-SX/MEM/30/2008	19-Nov-08	Issue of advertisement
5	MCX-SX/COMP/55/2009	27-Jan-09	Maintenance of records
6	MRD/DoP/SE/Cir- 21 /2009	09-Dec-09	Preservation of Records

CHAPTER – II

CLIENT REGISTRATION PROCEDURE

In order to bring uniformity in documentary requirement across different segments and Exchanges and to avoid duplication of documents, SEBI has formulated uniform set of documents, vide Circular no. SEBI/MIRSD/DPS-1/Cir-31/2004 dated August 26, 2004, to be taken from all clients at the time of registration.

The members are required to register a client by entering into an agreement with him. For this purpose, the member may make available a folder /book containing all the documents required for registration of a client. The folder/book shall have an index page listing all the documents contained in it and indicating briefly significance of each document. The member is required to ensure that the font size of the above mentioned booklet is minimum 11 in case of prospective clients. Additionally, trading members should ensure that the contents are legible for investors to read

The uniform set of documents for currency derivatives segment is listed below:-

- a) Client Registration form (KYC) (common across all segments and all Exchanges)
- b) Member- Client Agreement (MCA) (common across all segments of a single exchange, separate agreement for each Exchange)
- c) Risk Disclosure Document (RDD) (common across all segments and all Exchanges)

CLIENT REGISTRATION FORM / KNOW YOUR CLIENT FORM (KYC):

Members are required to obtain KYC forms from their clients in the format prescribed by SEBI before commencing business. SEBI has prescribed different formats for 'individual' and 'non-individual' clients. Members are required to obtain Client Registration Form along with relevant supporting documents, from their clients according to the client type. Member may have combined KYC form for all Exchanges covering all segments.

MEMBER CLIENT AGREEMENT (MCA):

Members are required to execute agreement with all their clients before commencement of trading. Separate agreements are to be executed for each Exchange; however, Member may execute single agreement for multiple segments of the same Exchange. MCA has to be stamped as per the relevant Stamp Act.

RISK DISCLOSURE DOCUMENT (RDD):

Risk Disclosure Document is document which describes basic risks involved in trading on the stock exchange, rights and obligations of constituent etc. Members are required to issue RDD to each client and keep acknowledged copy for their records. A common RDD across all segments and all Exchanges may be issued.

Refer Exchange Circular No. MCX-SX/MEM/4/2008 dated October 4, 2008

GUIDELINES FOR MEMBER:

- At present FIIs and NRIs are not allowed to trade in Currency Derivatives Segment (circular no. MCX-SX/MEM/4/2008 dated October 4, 2008, RBI Guidelines number RBI/2008-09/122, A.P. (DIR Series) Circular No. 05 dated August 6, 2008)

Further, as specified by SEBI in its circular dated August 26, 2004, the requirement of obtaining Client Registration Form may be waived for SEBI registered Foreign Institution Investor, Mutual Funds, Venture Capital Funds and Foreign Venture Capital Investors, Scheduled Commercial Banks, Multilateral and Bilateral Development Financial Institutions, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory Development Authority (IRDA) and Public Financial Institution as defined under section 4A of the Companies Act, 1956.

Further the trading member and clients may at their discretion, decide about the requirement of entering into member-client agreement and bringing the contents of Risk Disclosure Document to the notice of such clients.

- The Members shall ensure that KYC is complete in all respects. Details such as name, address, bank details, Demat account details, financial details, trading experience, introducer details etc., are to be filled in. Further, Members shall also ensure that Client identity proof, Address proof, Bank Account proof, DP account Proof, copy of PAN card, etc., of the client are obtained at the time of registration after due verification with the original.
- When establishing a relationship with a new client, Members must take reasonable steps to assess the background, genuineness, beneficial identity, financial soundness of such person, and his investment objectives by obtaining a Constituent Registration Form which shall be in such format as may be prescribed by the Exchange from time to time. Further, the Members are required to obtain approved copy of the board resolution permitting trading in Currency Derivatives from all clients other than individual clients.

- Members shall ensure that Name and PAN details of the clients are correct and duly verified with the details on the website of the Income Tax Department. Refer SEBI Circular No. MRD/DoP/SE/Cir-05/2007 dated April 27, 2007.
- Members are advised to review and update periodically client information in the client Registration Form and are also advised to ensure that Client Registration details including financial details of the clients are obtained and updated at regular intervals.
- MCA – Members are required to execute agreement with clients prior to executing trades on their behalf, taking into account the following:
 - Execute agreement on a non judicial stamp paper for a value as applicable to the place of execution
 - Ensure that date of the stamp paper is prior to the date of execution of agreement
 - Ensure that the agreement is duly signed by both the parties on all pages and properly witnessed
- Member shall make the constituent aware of the trading segment to which the Member is admitted, particulars of SEBI registration number, employee primarily responsible for the constituents affairs, the precise nature of the Member's liability for business to be conducted, the risk associated with business in trading including any limitations on that liability and the capacity in which the Trading Member acts and the constituent's liability thereon by issuing to the constituent a copy of the model Risk Disclosure Document which shall be in such format as may be prescribed by the Exchange from time to time. The Member shall furnish a copy of the Risk Disclosure Document to all his clients.
- The Client shall indicate the stock exchange as well as the market segment where he intends his trades to be executed. He shall do so in the KYC form in his own hand and sign against these. This requirement is applicable only to prospective clients (registered after December 3, 2009). For existing clients, trading members should send information pertaining to segments/ exchanges along with quarterly statement of accounts for funds & securities and maintain proof of dispatch/delivery of the same
- The KYC form shall capture the identity and the address of the introducer instead of his MAPIN/UID (clients registered after December 3, 2009). The KYC form shall be modified to this extent.
- The KYC forms have to be dated and signed by both constituent and introducer.
- The member shall have documentary evidence of financial details provided by the clients who opt to deal in the **derivative** segment.

An illustrative list of documents which the members may collect from its clients is as below:

1. Copy of ITR Acknowledgement
2. Copy of Annual Accounts
3. Copy of Form 16 in case of salary income
4. Net worth certificate
5. Salary Slip
6. Bank account statement for last 6 months
7. Copy of demat account Holding statement.
8. Any other relevant documents substantiating ownership of assets.
9. Self declaration along with relevant supporting.

Further, for existing clients trading members shall collect documents pertaining to financial information at the time of periodic (annual) updation of financial information.

- Member is also required to capture details of action taken against a client by SEBI or other authorities during the last 3 years. The term “action taken against a client” would mean action by any financial sector regulator. The primary onus of declaring the information rests with the client. However with respect to regulatory orders available in public domain, trading members should also verify the details provided by the client
- Client Registration Documents are to be divided into two parts
 - Mandatory part consisting of only KYC, MCA and RDD, as prescribed by SEBI (clients registered after December 3, 2009). However, for exiting clients if any additional voluntary clauses are forming part of mandatory documents and such clauses are not in conflict with any of the clauses in the model formats, rules, regulations, articles, byelaws, circulars , directives & guidelines of SEBI/Exchange, in such scenario trading member may not execute fresh documents. In case of prospective clients, any term or condition other than those stated in the mandatory part shall form part of non-mandatory documents.
 - Voluntary part consisting of additional documents / clauses, if any.
 - ✚ At the top of each additional document, the word “VOLUNTARY” is required to be printed in bold format.
 - ✚ Such additional documents may be taken for the purpose of providing additional features like internet trading, ATF or for facilitating clients in the trading / settlement operations with the Member. However, the clauses in the additional documents shall not contravene the Rule, Regulations and Circulars of SEBI and the Rule, Bye-Laws, Regulations and Circulars of the Exchange.
 - ✚ A power of attorney may be taken from a client so as to confer right on member over the demat account and / or bank account of the

client, to the extent of the client's obligation to the member in respect of the transactions done or to be done by the member on behalf of the client on the Exchange. However, such authorization shall not restrain the client from operating his own account.

- Any term or condition other than those stated in the mandatory part shall form part of non-mandatory documents.
- The clauses in the non-mandatory part shall not be in contravention of any of the clauses in the mandatory documents, as also the Rules, Regulations, Articles, Byelaws, circulars, directives and guidelines of SEBI and Exchanges. Any such contravening clause shall be null and void.
- Any authorization sought in non-mandatory part shall be a separate document and shall have specific consent of the client.
- The requirement of segregation of mandatory & non mandatory documents in a separate folder is applicable only to prospective clients i.e. clients registered after the date of SEBI circular i.e. December 3, 2009. In case of existing clients, the trading member shall collect additional information in form of an addendum.

Please refer Exchange Circular No. MCX-SX/COMP/56/2009 dated January 27, 2009 and SEBI circular no. MIRSD/ SE /Cir-19/2009 dated December 3, 2009.

- Member is required to have a mandatory document dealing with policies and procedures for each of the following under appropriate headings:
 - (a) Setting up client's exposure limits,
 - (b) Applicable brokerage rate,
 - (c) Imposition of penalty/delayed payment charges by either party, specifying the rate and the period (This must not result in funding by the broker in contravention of the applicable laws),
 - (d) The right to sell clients' securities or close clients' positions, without giving notice to the client, on account of non-payment of client's dues (This shall be limited to the extent of settlement/margin obligation),
 - (e) Conditions under which a client may not be allowed to take further position or the broker may close the existing position of a client,
 - (f) Temporarily suspending or closing a client's account at the client's request, and
 - (g) De-registering a client.

For existing clients, wherever terms pertaining to policies & procedures are not explicitly elaborated in the already executed documents, trading members should intimate the said policies/procedures to them & maintain records of dispatch/delivery of such documents.

In case of internet trading clients, if information pertaining to all procedures/policies is made available to respective clients in a secured manner electronically the same shall be treated as sufficient compliance with this requirement.

- In-person verification –
 - Members shall ensure that in-person verification is carried out in respect of individual and HUF clients and that a complete audit trail is kept for the same. Member shall also ensure that in-person verification is carried out by Member's own staff while registering the clients; including clients of branches and that this function is not outsourced. Further, name and signature of the official who has done in-person verification, the date of verification and the stamp of the member should be incorporated in the client registration form.
 - Member may note that 'in-person' verification carried out by opening beneficial owner's (BO) account by a Depository Participant (DP) will hold good for opening trading account by a stock broker and vice versa, if the stock broker and DP is the same entity or if one of them is the holding or subsidiary company of the other.
- Issue of Client registration documents to clients :In case of prospective clients (registered after December 3, 2009) the members shall deliver to the client a complete set of copies of all the executed documents viz. KYC, MCA and RDD and also voluntary documents free of charge, within 7 working days (The timeline of 7 days should start from the day of upload of UCC to the Exchange by the trading member) from the date of execution, in order to enable clients to have access at any point in time to the contents of such documents and the information provided by them.

In case of existing clients to whom trading members have not already sent the executed documents earlier, the same should be sent upon request by the clients and proof of dispatch/delivery should be maintained.

In case of Internet Trading Clients, if documents are made available to the client through secured access electronically the trading members may not send physical documents.

- The stock brokers having own web-sites shall display the set of standard documents on the website for information, client's position, margin and other related information, statement of accounts, etc. in the web-site and allow secured access by way of client-specific user id and password. This is requirement is applicable to members providing Internet Trading Facility to clients and issue electronic contract notes to clients.

- Upon registration, Members shall allot a code to the client for the purpose of trading and confirm the same to the client in writing. Proof of delivery of such communication is to be maintained along with registration documents pertaining to the same client. Members shall also confirm the client's email id (in case the client has intimated the same to the Member in writing) (Circular No. MCX-SX/COMP/56/2009 dated January 27, 2009)
- No term of the agreement, other than those prescribed by SEBI, shall be changed without the consent of the client. Such change needs to be preceded by a notice of 15 days.
- The member shall frame the policy regarding treatment of inactive accounts which should, inter-alia, cover aspects of time period, return of client assets and procedure for reactivation of the same. It shall display the same on its web site, if any. For this purpose, the trading member is required to appropriately define the term "Inactive accounts" while framing the Policy.
- Members shall not disclose the name and beneficial identity of a constituent to any person except the Exchange as and when required by the Exchange. (MCX-SX Regulation 4.5.3 (j))
- Members are required to disclose information regarding proprietary trading to their clients at the time of executing KYC documents, either by way of a clause in MCA/KYC or issue of a separate letter to the client etc. In case a member, who at present does not trade on proprietary account, chooses to do so at a later date, it is required to disclose this to the clients before carrying out any proprietary trading. (Circular No. MCX-SX/COMP/53/2009 dated January 27, 2009).

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Contents
1	MCX-SX Regulation 4.3.2	NA	Guidelines on induction of clients
2	MCX-SX Regulation 4.3.3	NA	Guidelines on dissemination of important information clients
3	MCX-SX Regulation 4.5.3 (j)	NA	Non disclosure of client information
4	MRD/DoP/SE/Cir-05/2007	27-Apr-07	SEBI circular on collection and verification of clients' pan details. PAN to be the sole identification number for transacting in the securities market, irrespective of the amount of transaction.
5	RBI Guidelines number RBI/2008-09/122, A.P. (DIR Series) Circular No. 05	06-Aug-08	Guidelines on trading in currency derivatives – Person - Resident Indian can participate in CD Segment. As of now, FIIs and NRIs are not allowed to participate.
6	MCX-SX / MEM / 4 /2008	04-Oct-08	Formats for MCA, KYC, RDD, client categories
7	ISD/AML/CIR-1/2008	19-Dec-08	SEBI's master circular on Anti Money Laundering – KYC norms, client identification etc.
8	MIRSD/ SE /Cir-19/2009	03-Dec-09	SEBI circular on Dealings between a client and a stock broker (trading members included)
9	MCX-SX/COMP/53/2009	27-Jan-09	Proprietary trading disclosures to clients
10	MCX-SX/COMP/56/2009	27-Jan-09	Client registration documents to be divided into two parts viz., mandatory and voluntary, in-person verification, allotment and intimation of client codes to clients, issuance a copy of client registration docs to

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Contents
			clients,
11	SEBI/MIRSD/Cir. No. 02/2010	18-Jan-10	Clarification issued by SEBI on 'In-person verification
12	MCX-SX/INSP/268/2010	20-Jan-10	Forwarding SEBI circular on In-person verification
13	MCX-SX/INSP/238/2009	04-Dec-09	Compliances in respect of dealings between a client and a stock broker (trading members included)
14	MCX-SX/INSP/296/2010	25-Feb-10	Clarifications on compliances in respect of dealings with clients (the members are required to comply with the requirements by June 30, 2010)
15	MCX-SX/INSP/331/2010	05-Apr-10	Extension of deadline. Members are required ensure full compliance with the requirements of Circular 238 & 296 by June 30, 2010.

CHAPTER – III

Power of Attorney

A Power of Attorney (PoA) is executed by the client in favour of the stock broker / stock broker and depository participant to authorize the broker to operate the client's demat account and bank account to facilitate the delivery of shares and pay – in/ pay – out of funds.

PoA is merely an option available to the client for instructing his broker or depository participant (DP) to facilitate the delivery of shares and pay-in/pay-out of funds etc. No stock broker or depository participant shall deny services to the client if the client refuses to execute a PoA in their favour (Exempted in case of Internet Based Trading).

Guidelines for execution of Power of Attorney by Clients favouring Stock Brokers / Stock Broker and Depository Participants as provided by SEBI vide circular no. CIR/MRD/DMS/13/2010 dated April 23, 2010, are as under:

PoA favouring Stock Brokers

PoA executed in favour of a Stock Broker by the client should be limited to the following:

1. Securities

- i. Transfer of securities held in the beneficial owner account(s) of the client(s) towards stock exchange related margin / delivery obligations (including settlement obligations, if any) arising out of trades executed by the Client(s) on the stock exchange through the same Stock Broker.
- ii. Pledge the securities in favour of Stock Broker for the limited purpose of meeting the margin requirements of the client(s) in connection with the trades executed by the clients on the stock exchange through the same Stock Broker. Necessary audit trail should be available with the Stock Broker for such transactions.
- iii. To apply for various products like Mutual Funds, Public Issues (shares as well as debentures), rights, offer of shares, tendering shares in open offers, redemptions, etc. pursuant to the instructions of the Client(s). However, a proper audit trail should be maintained by the Stock Broker to prove that the necessary application/act was made/done pursuant to receipt of instruction from Client.

2. Funds

Transfer of funds from the bank account(s) of the clients for the following:

- a. For meeting the settlement obligations of the client(s)/ margin requirements of the client(s) in connection with the trades executed by the clients on the stock exchange through the same Stock Broker.
- b. For recovering any outstanding amount due from the client(s) arising out of clients trading activities on the stock exchanges through the same Stock Broker.
- c. For meeting obligations arising out of the client subscribing to such other products/facilities/services through the Stock Broker like Mutual Funds, Public Issues (shares as well as debentures), rights, offer of shares in etc.
- d. Towards monies/fees/charges, etc. due to the Stock Broker/Depository Participant/ Principal payable by virtue of the client using/subscribing to any of the facilities/services availed by the Client at his/her instance. Necessary audit trail should be available with the Stock Broker for such transactions.

POA favouring Stock Brokers and Depository Participants

PoA executed in favour of a Stock Broker and Depository Participant by the client should:

1. Identify/provide the particulars of the beneficial owner account(s) and the bank account(s) of the client(s) that the Stock Broker is entitled to operate.
2. Provide the list of clients' & brokers' Bank accounts & demat accounts where funds and securities can be moved. Such bank & demat accounts should be accounts of related party only. The list of clients' & brokers' Bank accounts & demat accounts may be updated / amended by proper communication without executing a new PoA every time. Copies of such communications should be preserved as Annexure to the PoA.
3. Be executed in the name of the concerned SEBI registered entity only and not in the name of any employee or representative of the Stock Broker/Depository Participant.
4. Not provide the authority to transfer the rights in favour of any assignees of the Stock Broker/Depository Participant.
5. Be executed and stamped as per the rules / law prevailing in the place where the PoA is executed or the place where the PoA is kept as a record, as applicable.
6. Contain a clause by which the Stock Broker would return to the client(s), the securities or fund that may have been received by it erroneously or those securities or fund that it was not entitled to receive from the client(s).
7. Be revocable at any time, without notice. However, such revocation shall not be applicable for any outstanding settlement obligation arising out of the trades carried out prior to receiving request for revocation of PoA. Further, the PoA revocation requests should be dated and time stamped by the brokers for ensuring proper audit trail.

8. Be executed by all the joint holders (in case of a demat account held jointly). If the constitution of the account is changed for whatever reason, a new PoA should be executed.
9. Authorize the Stock Broker/Depository Participant to send consolidated summary of Client's scrip-wise buy and sell positions taken with average rates to the client by way of SMS / email on a daily basis, notwithstanding any other document to be disseminated as specified by SEBI from time to time.

General Guidelines

The POA shall not facilitate the stock broker to do the following:

1. Transfer of securities for off market trades. (The PoA shall not facilitate off-market trades between parties other than the related parties as mentioned in the PoA.)
2. Transfer of funds from the bank account(s) of the Clients for trades executed by the clients through another stock broker.
3. Open a broking / trading facility with any stock broker or for opening a Beneficial Owner account with any Depository Participant.
4. Execute trades in the name of the client(s) without the client(s) consent.
5. Prohibit issue of Delivery Instruction Slips (DIS) to beneficial owner (client).
6. Prohibit client(s) from operating the account.
7. Merging of balances (dues) under various accounts to nullify debit in any other account.
8. Open an email ID/ email account on behalf of the client(s) for receiving statement of transactions, bills, contract notes etc. from stock broker / Depository Participant.
9. Renounce liability for any loss or claim that may arise due to any blocking of funds that may be erroneously instructed by the Stock Broker to the designated bank.

Stock Broker / Depository Participant should ensure that:

1. A duplicate/ certified true copy of the PoA is provided to the Client(s) after execution.
2. In case of merger/ demerger of the Stock Broker/Depository Participant with another entity/ into another entity, the scheme of merger/ demerger should be approved by High Court and one month prior intimation given to the client about the corporate restructuring to facilitate investor/ client to continue or discontinue with the broker.

The Stock Brokers are required to take necessary steps to implement this circular latest by May 31, 2010 for the new clients and ensure to take necessary steps latest by September 01, 2010 to revoke those authorizations given by the existing clients to the stock brokers/ stock broker and depository participants through PoA that are inconsistent with the present guidelines. Further, the Stock Broker/ DP may revoke those authorizations that are inconsistent with the present guidelines by communicating the inconsistent clauses to the existing clients. In the event, the

deleted clauses are not accepted by the client, Stock Broker/ DP is required to either obtain fresh PoA or close the account. In case of any addition to the existing PoA, Stock Broker / DP is required to obtain a new PoA from clients.

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	CIR/MRD/DMS/13/2010	23-Apr-10	SEBI guidelines on execution of Power of Attorney
2	MCX-SX/INSP/341/2010	27-Apr-10	Forwarding SEBI guidelines on execution of Power of Attorney
3	MCX-SX/INSP/428/2010	01-Sep-10	Clarification - Execution of Power of Attorney (PoA) by the Client in favour of the Stock Broker and Depository Participant.

CHAPTER – IV

UNIQUE CLIENT CODE

Members are required to provide a Unique Client Code (UCC) to each of their clients. It has been made mandatory by SEBI vide circular no. SMDRP/policy/CIR-39/2001 dated July 18, 2001.

In order to comply with the above requirement, upon registration of a client, Members are required to:

- Generate and allot unique client code to all their clients
- Ensure that same code is not allotted multiple clients and that multiple codes are not allotted to a single client.
- Collect and maintain copy of the Permanent Account Number (PAN) Card allotted by Income Tax Department for all its clients. Members shall ensure that Name and PAN details of the clients are correct and duly verified with the details on the website of the Income Tax Department. Refer SEBI Circular No. MRD/DoP/SE/Cir-05/2007 dated April 27, 2007
- Upload all the required details along with client codes and PAN details to the Exchange, prior to executing trades on behalf of the client. (Circular No. MCX-SX/MEM/4/2008 dated October 4, 2008)
- Map the details of unique client code of all the clients with their respective PAN in their back office. Further, members are required to maintain a mapping of client IDs used at the time of order entry in the trading system with those unique client IDs along with client name, address and other particulars given in the Know your Client form for the period of 7 years.
- Verify and collect certified true copy of the PAN card of institutional clients from the clients' respective custodians. This would be applicable in respect of institutional clients, viz., Mutual Funds, Venture Capital Funds, Scheduled Commercial Banks, Multilateral and Bilateral Development Financial Institutions, State Industrial Development Corporations, Insurance Companies registered with IRDA and Public Financial Institution as defined under section 4A of the Companies Act, 1956 (SEBI Circular No. MRD/DoP/Dep/SE/Cir-13/06 dated September 26, 2006)
- Inform the client code to the respective client and ensure that proof of delivery of such communication is maintained along with registration documents pertaining to the same client (MCX-SX Circular No. MCX-SX/COMP/56/2009 dated January 27, 2009)

Members may also note that, as and when new clients are registered, details of such clients are required to be uploaded. Further, in respect of any change in the client details already submitted through the Unique Client Code application, revised information has to be uploaded by the members immediately. Members are advised to ensure that no trades are put on behalf of their clients, before allotting the Unique Client Codes (UCC) and uploading the client details to the Exchange.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX Regulation 15.1.5	NA	Maintenance of mapping of client id with unique client codes
2	MCX-SX Regulations 3.1.20	NA	Use of UCC while executing orders on behalf of clients
3	SMDRP/policy/CIR-39/2001	18-Jul-01	SEBI circular on - Allotment of UCC
4	MRD/DoP/Dep/SE/Cir-13/06	26-Sep-06	Institutional clients – PAN card copies to be verified by the custodians
5	MRD/DoP/SE/Cir-05/2007	27-Apr-07	SEBI circular on collection and verification of clients' pan details, PAN to be the sole identification number for all transactions in the securities market
6	MCX-SX/MEM/4/2008	4-Oct-08	Upload of UCC
7	MCX-SX/COMP/56/2009	27-Jan-09	Information of UCC to client
8	MCX-SX/SRV/121/2009	18-May-09	PAN sole identification – mandatory to use UCC – ucc to be uploaded before trading – non upload of ucc before trading to attract penalty of Rs.100/- per day per client code.
9	ISD/AML/CIR-1/2009	01-Sep-09	Additional requirements to be fulfilled and also issued certain clarifications with regard to existing requirements

CHAPTER – V

Provisions of Prevention of Money Laundering Act, 2002 & Combating Financing of Terrorism (CFT) under Unlawful Activities (Prevention) Act, 1967

Broad guidelines / policy on PMLA/CFT to be adopted

Trading member should be fully committed to establishing appropriate policies and procedures for the prevention of money laundering and terrorist financing and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. It should:

- (a) Issue a statement of policies and procedures, on a group basis where applicable, for dealing with money laundering and terrorist financing reflecting the current statutory and regulatory requirements;
- (b) Ensure that the content of these Guidelines are understood by all staff members;
- (c) Regularly review the policies and procedures on prevention of money laundering and terrorist financing to ensure their effectiveness; further in order to ensure effectiveness of policies and procedures, the person doing such a review should be different from the one who has framed such policies and procedures;
- (d) Adopt customer acceptance policies and procedures which are sensitive to the risk of money laundering and terrorist financing;
- (e) Undertake customer due diligence (“CDD”) measures to an extent that is sensitive to the risk of money laundering and terrorist financing depending on the type of customer, business relationship or transaction; and
- (f) Develop staff members’ awareness and vigilance to guard against money laundering and terrorist financing.

I – Appointment of Principal Officer:

- ❖ Appointment of Principal Officer – to act as a central reference point for identification and assessment of potentially suspicious transactions and for facilitating onward reporting of such transactions.
- ❖ Intimating the details of Principal officer – name, designation, address including email address and any changes thereof to be intimated to FIU-IND

The Principal Officer shall have timely access to customer identification data and other CDD information, transaction records and other relevant information.

The Principal Officer shall also have access to and be able to report to senior management above his next reporting level or the board of directors.

II - PMLA procedures adopted should cover:

- ❖ Communication of group policies relating to prevention of money laundering and terrorist financing to all management and relevant staff that handle account information, securities transactions, money and customer records etc. whether in branches, departments or subsidiaries;
- ❖ **Customer acceptance policy** and customer due diligence measures, including requirements for obtaining sufficient information, verification of customers' identity, identification of beneficial ownership and control, verification of the identity of the beneficial owner and conduct of ongoing due diligence and scrutiny.
 - Policy for acceptance of clients
 - ✓ Aiming to identify the types of customers that are likely to pose a higher than the average risk of money laundering or terrorist financing
 - ✓ Following certain safeguards while accepting the clients
 - Risk based approach so as to adopt an enhanced customer due diligence process for higher risk categories of customers
 - Classification of clients as **Clients of Special Category (CSC)** or not
 - Verifying whether names of customers appear in updated list of individuals and entities subject to various sanction measures of UN Security Council Committee and complying with Government order under Unlawful Activities Prevention Act 1967 (UAPA)
 - Procedure for identifying the clients
 - ✓ Member shall formulate and implement a Client Identification Programme to determine the true identity of its clients, incorporating the relevant requirements and guidelines.
- ❖ Maintenance of records
- ❖ Compliance with statutory and regulatory requirements
- ❖ Co-operation with law enforcement authorities and timely disclosure of information
- ❖ Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR)
- ❖ Role of internal audit to ensure compliance

Requirements of Government Order Under UAPA

- ❖ Maintaining updated list of individuals / entities which are subject to various sanctions / measures pursuant to United Nations Security Council Resolutions (UNSCR), available from the URL <http://www.un.org/sc/committees/1267/consolist.shtml>. (referred to as designated individual / entities). in electronic form
- ❖ running a check on the given parameters on a regular basis to verify whether any of the designated individual / entities hold funds, financial assets or economic resources or related services with the member.
- ❖ Continuously scanning of all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list.

- ❖ In the event of matching any particulars of designated individuals / entities, informing the full particulars of the funds, financial assets or economic resources or related services held in the form of securities, within 24 hours to the Joint Secretary (IS.I) Ministry of Home Affairs, at a given fax / phone number and email id. It should also be sent to the email id and address of SEBI as mentioned.
- ❖ In the event of matching the details beyond doubt –prevent the persons from conducting any further financial transactions under intimation to the Joint Secretary (IS.I) Ministry of Home Affairs, at a given fax/phone number and email id. It should also be sent to the email id and address of SEBI as mentioned. File STR to FIU,IND, covering all transactions.

III – Record Keeping

- ❖ Maintenance of records; in order to maintain a satisfactory audit trail, retention of information pertaining to :
 - (a) The beneficial owner of the account;
 - (b) The volume of the funds flowing through the account; and
 - (c) For selected transactions:
 - The origin of the funds;
 - The form in which the funds were offered or withdrawn, e.g. cash, cheques, etc.;
 - The identity of the person undertaking the transaction;
 - The destination of the funds;
 - The form of instruction and authority.
- ❖ Making data available to the competent investigating authorities
- ❖ system of maintaining proper record of transactions in respect of:
 - All cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
 - All series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;
 - All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
 - All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

- ❖ The information to be maintained in respect of such transactions are :
 - ✓ The nature of the transactions;
 - ✓ The amount of the transaction and the currency in which it denominated;
 - ✓ The date on which the transaction was conducted; and
 - ✓ The parties to the transaction.

- ❖ Maintenance of such records for a period of 10 years from the date of cessation of the transactions with the client
- ❖ Maintenance of records such as:
 - (a) All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period prescribed under the relevant Act (PMLA, 2002 as well SEBI Act, 1992) and other legislations, Regulations or exchange bye-laws or circulars.
 - (b) Records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence should also be kept for the same period.
- ❖ In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they retention / maintenance of the same until it is confirmed that the case has been closed.

IV – Monitoring and Reporting of Transactions:

- ❖ Specification of internal threshold limits for each class of client accounts and paying special attention to transactions exceeding these limits.
- ❖ Appropriate steps like illustrative list of circumstances (as given below), to enable recognition of suspicious transactions and appropriate procedures for reporting suspicious transactions.
 - Clients whose identity verification seems difficult or clients appears not to cooperate
 - Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing /business activity;
 - Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
 - Substantial increases in business without apparent cause;
 - Unusually large cash deposits made by an individual or business;
 - Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
 - Transfer of investment proceeds to apparently unrelated third parties;
 - Unusual transactions by CSCs and businesses undertaken by offshore banks /financial services, businesses reported to be in the nature of export-import of small items.
- ❖ Transactions of suspicious nature or any other transaction notified under section 12 of PMLA 2002 are to be notified immediately to the Money Laundering Control Officer or any other designated officer of the intermediary.
- ❖ Information relating to cash and suspicious transactions are to be reported to the appropriate authority in manual formats and electronic formats as prescribed (within the time schedule).

- ❖ No restrictions on operations in the accounts where an STR has been made and ensuring no tipping off information to the client

V – Hiring and educating employees

- ❖ Adequate screening procedures to be put in place to ensure that hired employees have high standards and that employees taking up key positions are suitable and competent to perform their duties.
- ❖ The employees are to be trained on going basis with specific focus for frontline staff, back-office staff, compliance staff, risk management staff and staff dealing with new customers.

VI – Investor education

- ❖ Sensitizing customers about the requirement of certain information of personal nature or which has never been called for, including documents evidencing source of funds, income tax returns, bank records, etc.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	ISD/AML/CIR-1/2008	19-Dec-08	SEBI Master circular
2	ISD/AML/CIR-1/2009	01-Sep-09	Additional requirements to be fulfilled and also issued certain clarifications with regard to existing requirements of PMLA - CSC
3	ISD/AML/CIR-2/2009	23-Oct-09	Directing the intermediaries to ensure expeditious and effective implementation of the procedure laid down in UAPA
4	ISD/AML/Cir-1/2010	12-Feb-10	SEBI Master circular
5	MCX-SX/INSP/289/2010	18-Feb-10	Exchange circular forwarding the SEBI master circular
6	MCX-SX/INSP/370/2010	21-Jun-10	Anti Money Laundering (AML) Standards/Combating Financing of Terrorism (CFT)/Obligations of Securities Market Intermediaries under Prevention of Money Laundering Act, 2002 and Rules framed there-under - Additional requirements to be fulfilled or clarifications with regard to existing requirements.

CHAPTER – VI

Banking Operations / Demat Operations

Bank Account Operations

In addition to the guidelines issued by SEBI relating to the regulation of transactions between constituents and brokers, members are required to keep constituents' money in a separate account and their own money in a separate account. The account in which clients' money is deposited shall be designated as "Constituents Account"

Member may keep one consolidated constituents account for all the constituents or accounts in the name of each constituent, as it thinks fit;

No payment for transaction in which the member is taking a position as a principal is allowed to be made from the constituent's account. Further, the bank will not be able to access the constituents account to meet the member's defaults in anyway unless specified by the constituent.

Money to be paid into "constituents account":

No money shall be paid into constituents account other than –

- a) Such moneys belonging to the Member as may be necessary for the purpose of opening or maintaining the account;
- b) Money held or received on account of constituents;
- c) Money for replacement of any sum which may by mistake or accident have been drawn from the account;
- d) A cheque or draft received by the Member representing in part money belonging to the constituent and in part money due to the Member.(subsequent transfer may be effected in respect of the amount belonging to the member)

Money to be withdrawn from "constituents account":

No money shall be drawn from constituents account other than –

- (i) Money properly required for payment to or on behalf of constituents for or towards payment of a debt due to the Member from constituents or money drawn on constituent's authority, or money in respect of which there is a liability of constituents to the Member, provided that money so drawn shall not in any case exceed the total of the money so held for the time being for each such constituent;
- (ii) Such money belonging to the Member as may have been paid into the constituent account
- (iii) Money which may by mistake or accident have been paid into such account.

Demat Account Operations

Members who collect margin in the form of approved securities are required to keep the constituents' securities in a separate demat account (constituent's beneficiary account). It is to be noted that members' own securities, if any, are to be kept in a separate demat account and that own and constituents' securities are to be segregated completely.

Members are required to have adequate systems and procedures in place to ensure that client collateral, collected in the form of Cash, Bank Guarantee, Fixed Deposit or securities is not used for any purposes other than meeting the respective client's margin requirement and to ensure the same, members are required maintain records to ensure proper audit trail.

Members are required to ensure that bank books and register of securities are in alignment with bank statement and demat statements provided by respective banks and depositories.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX Regulation 15.1.6.1 (a) and 4.4.13	NA	Maintenance of records showing segregation of clients' funds from own funds
2	MCX-SX Regulation 15.1.6.1 (b)	NA	Clients' funds to be kept in separate bank account
3	MCX-SX Regulation 15.1.6.2	NA	Transfer from constituent's account to Member's account
4	MCX-SX Regulation 15.1.6.1 (c)	NA	Issuance of statement of accounts to clients
5	MCX-SX/INSP/34/2008	24-Nov-08	Segregation of clients and own securities and maintenance of collateral register
6	MCX-SX/COMP/53/2009	27-Jan-09	Issuance of statement of accounts
7	MRD/DoP/SE/Cir-11/2008	17-Apr-08	Collateral management by members

CHAPTER – VII

Dealings with Clients

A. Statement of Accounts:

Members shall receive / pay funds towards margin and / or settlement from / to the respective client only. Members shall receive / deliver securities towards margin from / to the respective client only. Members are required to have systems in place to ensure compliance in this regard. No Clearing Member nor person associated with a Clearing Member shall make improper use of clients' securities or funds. (MCX-SX/INSP/34/2008 dated November 24, 2008).

In case where clients' securities are submitted to Clearing Corporation for margin / exposure, the Members are required to have adequate systems and procedures in place to ensure that client collateral is not used for any purposes other than meeting the respective client's margin requirement and to ensure the same, members are required maintain records to ensure proper audit trail.

Collateral statement to be issued on a daily basis

Trading Member shall send collateral utilization details such as details of collateral deposited, collateral utilised and collateral status (available balance / due from client) with break up in terms of cash, Fixed Deposit Receipts (FDRs), Bank Guarantee and securities to the clients on a daily basis. The statement may be sent through an email or in hard form to clients and the member is required to keep proof of sending the same.

Issue of Quarterly of Statement of Accounts

Members are required to issue Statement of accounts for funds and securities to all the clients.

The statement of accounts for funds and securities is to be issued to each client on a quarterly basis, within 30 days from the end of quarter. The statement should contain an account of all receipts and deliveries / payments during the relevant period and not just the balances as at the end of the period, along with an error reporting clause stating that the clients shall report errors, if any, in the statement not later than 30 calendar days of receipt.

In respect of constituents who have consented in writing to receive the statements in electronic form and furnished an email id to the member for the purpose, the same may be sent to the email id given by the constituent. Members are required to

maintain relevant proof of issuance of statement of accounts, by way of post/courier receipts or computer logs.

Issue of Statement of balance of funds and securities on an Annual basis

As on 31st March of every year, member shall send a statement of balance of Funds and Securities duly signed by him, in hard form all the clients.

However, in view of the requirement for trading members to send monthly/quarterly statement of accounts for both funds & securities, the statement as on March 31, every year needs to be sent to the clients only upon request.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX Regulation 4.4.16 (1)	NA	Payment of funds within 24 hours
2	MCX-SX Regulation 15.1.6.1 (c)	NA	Issuance of statement of accounts to clients
3	MCX-SX Regulation 15.1.4 (i)	NA	Maintenance of records in respect of interest received on securities of constituents, monies borrowed and loaned including monies received
4	MCX-SX/INSP/34/2008	24-Nov-08	Maintenance of collateral register, misuse of client collateral, reconciliation of bank books with bank statement and demat statement with collateral records
5	MCX-SX/COMP/53/2009	27-Jan-09	Issuance of statement of accounts
6	MCX-SX/INSP/238/2009	04-Dec-09	Compliances in respect of dealings between a client and a stock broker (trading members included)
7	MCX-SX/INSP/296/2010	25-Feb-10	Clarifications on compliances in respect of dealings with clients (the members are required to comply with the requirements by June 30, 2010)
8	MCX-SX/INSP/331/2010	05-Apr-10	Extension of deadline. Members are required ensure full compliance with the requirements of Circular 238 & 296 by June 30, 2010.

B. Payment of Funds and Issue of Securities to clients

Members are required to make payment of funds / issue of securities to clients within 1 working day of payout.

In case members want to keep the account of client on a running basis for the purpose of operational convenience, it may obtain authorization letter from the client, subject to following, below mentioned guidelines:

- a. The authorization shall be renewed at least once a year and shall be dated.
- b. The authorization shall be signed by the client only and not by any authorised person on his behalf or any holder of the Power of Attorney.
- c. The authorization shall contain a clause that the Client may revoke the authorization at any time.

[clause (a) to (c) - For all existing clients the requirement of revised running account authorization with a clause of revocation would become applicable whenever the existing authorization completes one year and becomes due for renewal.]

- d. For the clients having outstanding obligations on the settlement date, the member retain the requisite securities/funds towards such obligations and may also retain the funds expected to be required to meet margin obligations for next 5 trading days, calculated in the following manner:

For calculation of “funds expected to be required to meet margin obligation for next 5 trading days” it is clarified that

- In respect of derivative market transactions, apart from margin liability as on the date of settlement, trading member may retain additional margins (maximum up-to 75% of margin requirement on the day of settlement) to take care of any margin obligation arising in next 5 days.
- e. The actual settlement of funds and securities shall be done by the broker, at least once in a calendar quarter or month, depending on the preference of the client. While settling the account, the broker shall send to the client a ‘statement of accounts’ containing an extract from the client ledger for funds and an extract from the register of securities displaying all receipts/deliveries of funds/securities. The statement shall also explain the retention of funds/securities and the details of the pledge, if any. For the purpose of quarterly/monthly settlement trading member may settle across segments of the same exchange for a particular client. Trading member is required to send statement of accounts for funds & securities monthly/quarterly as applicable, at the time of settlement. This is an adequate compliance for the purpose of sending quarterly statement of accounts for funds/securities
- f. The client shall bring any dispute arising from the statement of account or settlement so made to the notice of the broker preferably within 7 working days from the date of receipt of funds/securities or statement, as the case may be.
- g. Such periodic settlement of running account may not be necessary:
- i. For clients availing margin trading facility as per SEBI circular
 - ii. For funds received from the clients towards collaterals/margin in the form of bank guarantee (BG)/Fixed Deposit receipts (FDR).
- h. The member shall transfer the funds / securities lying in the credit of the client within one working day of the request if the same are lying with him and within three working days from the request if the same are lying with the Clearing Member/Clearing Corporation.

- i. There shall be no inter-client adjustments for the purpose of settlement of the 'running account'.
- j. These conditions shall not apply to institutional clients settling trades through custodians. The existing practice may continue for them.

Reference:

Sr. no	Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX Regulation 4.4.16	NA	Payment of funds to clients within 24 hours
2	MIRSD/ SE /Cir-19/2009	03-Dec-09	Dealings between a client and a stock broker (trading members included)
3	MCX-SX/INSP/238/2009	04-Dec-09	Compliances in respect of dealings between a client and a stock broker (trading members included)
4	MCX-SX/INSP/296/2010	25-Feb-10	Clarifications on compliances in respect of dealings with clients (the members are required to comply with the requirements by June 30, 2010)
5	MCX-SX/INSP/331/2010	05-Apr-10	Extension of deadline. Members are required ensure full compliance with the requirements of Circular 238 & 296 by June 30, 2010.

C. Brokerage:

All the orders entered on the Trading System shall be at prices exclusive of brokerage.

Trading Members are required to charge brokerage at rates not exceeding such scale as the Exchange may specify from time to time.

Trading Member shall charge brokerage separately to their constituents and this shall be indicated separately from the price, in the contract note.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX Regulation No. 3.7	NA	Brokerage

D. Cash transactions:

Member shall not make payment in cash to the Constituents and shall not receive payment in cash from the Constituents, towards settlement or margin.

Member shall pay or receive all amounts to / from the Constituents by account payee crossed cheques / Demand Drafts or by way of direct credit into the respective bank account through Electronic Fund Transfer Facility or any other mode allowed by the Reserve Bank of India.

In respect of their transactions, the trading member shall accept Demand Drafts or cheques drawn only by the Constituents and issue cheques / Demand Drafts in favour of the Constituents only.

However, in exceptional circumstances the trading members may receive the amount in cash, to the extent permissible under the provisions of the Income Tax Act or Rules or circulars or directives framed or issued there-under, as may be in force from time to time.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX Regulation no. 4.4.17	NA	Cash transactions
2	SEBI/MRD/SE/Cir-33/2003/27/08	27-Aug-03	Prohibition on acceptance / giving of cash by brokers and on third party transfer of securities

CHAPTER – VIII

Sharing of brokerage and Members of other Exchanges

A. Sharing of Brokerage

A trading member shall not share brokerage with a person who –

- is one for or with whom trading members are forbidden to do business under the Bye Laws, Rules and Regulations of the Stock Exchange;
- is a trading member or employee in the employment of another trading member;

Irrespective of any arrangement for the sharing of brokerage with any person, the trading member shall be directly and wholly liable to every other member with whom such trading member effects any deal on the Stock Exchange.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX Regulation No. 3.7	NA	Brokerage
2	MCX-SX Bye-Laws, Chapter XI, Point 33 (a)	NA	Sharing of brokerage

B. Use of “Remarks” Column

The trading member has to ensure that the persons operating the terminals, while placing orders on behalf of a registered client, are not using the ‘remarks column’ field without proper explanation or do not put codes which suggest the existence of one or more ultimate clients.

C. Dealings with Members / Sub-brokers of Exchanges

- Trading Members shall not deal with other Trading Members of the Exchange either for proprietary trading or for trading on behalf of Clients, except with the prior permission of the Exchange.

Exchange while giving permission shall consider the reasons stated by the Trading Member and after carrying out due diligence allows such Member to deal with only one Trading Member of the Exchange.

- A Trading Member of the Exchange can deal with only one Trading Member of another stock exchange for proprietary trading after intimating the name of such Member to his parent stock exchange.

- A Trading Member of the Exchange can deal with only one Member of another exchange on behalf of clients after obtaining necessary registration as a sub broker, if allowed, from the Securities and Exchange Board of India.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX Regulation no. 2.1.16	NA	Guidelines on dealing with members / sub-brokers of same / other exchange
2	MCX-SX Regulation no. 2.1.10	NA	Use of Remarks column

CHAPTER – IX

Authorised Person

Authorised Person means a person who is an individual, a registered partnership firm, a limited liability partnership or a body corporate as defined under the Companies Act, 1956 or any other category of person(s) allowed by SEBI, who is appointed as such by a Trading Member after obtaining specific prior approval of the Exchange for providing access to trading platform of the Exchange, as an agent of the Trading Member.

While appointing Authorised Person the member may note following:

Eligibility:

No individual shall be appointed as an Authorised Person unless he:

- a) Is a citizen of India;
- b) Is not less than 18 years of age;
- c) Has passed at least 10th standard or equivalent examination from an institution recognized by the Government;
- d) Has not been convicted of any offence involving fraud or dishonesty;
- e) Has good reputation and character;
- f) Has not been expelled or declared defaulter by any stock exchange in the country, except if he has been readmitted by the relevant stock exchange;
- g) Is or was not debarred or prohibited from associating with securities market or from dealing in securities in any manner whatsoever by SEBI or any other competent authority, tribunal or court and the period of debarment or prohibition is not over;
- h) Is not or has not been a partner or director, of any expelled member or member declared defaulter, at the time of the expulsion or declaration, as the case may be, by any of the stock exchanges in the country, except if such member has been readmitted by the relevant stock exchange;
- i) Is not or has not been a partner or director of any entity who is or was debarred or prohibited from associating with securities market or from dealing in securities in any manner whatsoever by SEBI or any other competent authority, tribunal or court, and the period of debarment or prohibition is not over;
- j) Is not an Approved User or Sub broker or Authorised Person or employee of any other Trading Member;

No registered partnership firm, or a body corporate as defined under the Companies Act 1956 or a limited liability partnership is eligible to be appointed as an Authorised Person unless:-

- a) All the partners of the firm or limited liability partnership and all the directors of the company comply with all the eligibility criteria listed out at clauses a) to j) of regulation 2.2.11.1 above
 - b) All the partners/ directors satisfies all the conditions at clause k) of regulation 2.2.11.1 above
 - c) The firm and the company satisfies all the conditions from clauses d) to j) of regulation 2.2.11.1 above, to the extent those provisions are applicable to them.
 - d) The provisions of the partnership deed of the firm or limited liability partnership or main object clause of the Memorandum of Association of the company shall enable the registered firm or the company, as the case may be, to undertake securities business.”
- A person shall not be appointed as Authorised Person by more than one Trading Member of the Exchange.
 - A partner or director of an Authorised Person shall not be appointed as an Authorised Person of the same or any other Trading Member of the Exchange.
 - The Trading Member and Authorised Person shall enter into written agreement(s) in the form(s) specified by the Exchange

Approved users / Approved Persons: Trading Members and their Authorised Persons may appoint, with the approval of the Exchange, Approved Users to operate their Trading Workstation(s), subject to payment of such approval fee as may be specified by the Relevant Authority from time to time

Sharing commission: The Authorised Person may receive his remuneration whether by way of fees, charges, commission, salary or otherwise for his services only from the Trading Member and he shall not charge any amount from the Constituents.

Infrastructure: Authorised Persons shall have the necessary infrastructure like adequate office space, equipment and manpower to effectively discharge the activities on behalf of the Trading Member.

Other requirements / conditions:

- The Authorised Person shall not receive nor pay any money and/or securities in his own name or account. All receipts and payments of securities and funds shall be in the name or account of the Trading Member only.
- Any dispute between a Constituent and an Authorised Person shall be treated as a dispute between the Constituent and the Trading Member.
- The Trading Member / Participant shall be liable for all orders placed and trades executed through his trading terminals. The Trading Member/Participant shall be

responsible for all acts of omission and commission of his Authorised Person(s) and/or their employees, including liabilities arising there from and all the acts of omission and commission of the Authorised Person or their employees shall be deemed to be those of the Trading Member.

- If any trading terminal is provided by the Trading Member to his Authorised Person, the place where such trading terminal is located shall be treated as branch office of the Trading Member.
- The Trading Member shall notify changes, if any, in the Authorised Person to all registered Constituents of the relevant branch office at least thirty days before the change.
- The Constituents shall be registered with the Trading Member only. The funds and securities of the Constituents shall be transferred directly between Trading Member and Constituent and all documents like contract note and statement of funds and securities would be issued to Constituents by the Trading Member. Authorised Person may provide administrative assistance in procurement of documents and settlement, but shall not issue any document to Constituent in his own name. No fund/securities of Constituents shall be transferred to the name and / or account of Authorised Person.
- On noticing irregularities, if any, in the operations of Authorised Person, the Trading Member shall seek withdrawal of approval of the Exchange, withhold all moneys due to Authorised Person till resolution of investor problems, alert investors in the location where Authorised Person operates, file a complaint with the police and take all measures required to protect the interest of investors and market.
- Inspection: The Trading Member shall conduct periodic inspection of branches assigned to Authorised Persons including with reference to records of the operations carried out by them.
- Change in status: Any proposed change relating to the Authorised Person including change of status or constitution as laid down in regulation 2(ab) of Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992 shall be notified to the Exchange at least 30 days in advance in the format prescribed by the Exchange and also immediately after effecting such changes. Provided that, in case of any change in the legal form of the authorized person, the member shall ensure that the existing approval for appointment of the authorized person is withdrawn by the Exchange and a fresh approval is granted by the Exchange for his appointment in the new legal form. The Member shall make requisite applications to the Exchange simultaneously with the intimation made under the above clause.

- Review of business: Each Trading Member shall conduct a review, at least annually, of the business in which it engages, which shall be reasonably designed to assist in detecting and preventing violations of and achieving compliance with Securities and Exchange Board of India Act, 1992 and Regulations framed thereunder, the Securities Contracts (Regulation) Act, 1956 and Rules framed thereunder and Exchange Bye-laws, Rules, Regulations and Circulars.
- Display of information: The Trading Member shall display at each branch office, additional information such as particulars of Authorised Person in charge of that branch, time lines for dealing through Authorised Person, etc., as may be specified by the Exchange.

Withdrawal of Approval:

- i) On being satisfied that the continuation of Authorised Person is detrimental to the interest of investors or securities market; or
- ii) On being satisfied that the Authorised Person has, subsequent to the approval granted by the Exchange, become ineligible to continue as such under criteria laid down in regulation 2.2.11.1 or 2.2.11.1A, as the case may be, or under regulation 2.2.11.1B or 2.2.11.1C; or
- iii) On receipt of a request to that effect from the Trading Member or the Authorised Person, subject however to compliance with the requirements prescribed by the Exchange; or
- iv) On being satisfied that the approval was obtained by misrepresentation or fraud.
- v) Without prejudice to the above, the Exchange may take disciplinary action against the Authorised Person under provisions of the Rules.”

Compliance:

- Authorised Person(s) shall comply with the Rules, Bye-laws, Regulations and Circulars of the Exchange. The Trading Member shall ensure that the Authorised Person appointed by him complies with the Rules, Bye-laws, Regulations and Circulars of the Exchange and with the requirements relating to Authorised Person as laid down by SEBI/ the Exchange, on an ongoing basis.
- The Exchange may appoint one or more persons as inspecting authority to undertake inspection of books of accounts, other records and documents of the Trading Members, Authorised Person(s) and Constituents.

- The Exchange shall inspect the operations of Authorised Person(s) to verify the compliance.
- The Trading Member shall ensure that the approved users and / or sales personnel of Authorized Persons shall continue to have NISM certification or any other certification prescribed by SEBI, at all the points of time.

For appointment of Authorized persons, the member have to follow the instructions given in Exchange circular no. MCX-SX/MEM/299/2010 dated February 26, 2010.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MIRSD/ DR-1/ Cir- 16 /09	6-Nov-09	SEBI circular on appointment of Authorized Persons
2	MCX-SX/MEM/ 226 /2009	10-Nov-09	Forwarding the SEBI circular on appointment of Authorized Persons
3	MCX-SX/MEM/299/2010	26-Feb-10	Guidelines on appointment of authorized persons
4	MCX-SX/MEM/404/2010	29-July-10	SEBI circular on eligibility criteria pertaining to certification of Authorised Persons

CHAPTER – X

CONTRACT NOTES

A. Issue of contract notes:

Contract note is a document through which a contractual obligation is established between a Member and the client. Members are required to issue contract note to their clients for each trade executed by them within 24 hours, in the format prescribed by the Exchange in circular no. MCX-SX/MEM/4/2008 dated October 4, 2008.

No off market transactions are allowed and contract notes shall be issued only for transactions done on the Exchange. (MCX-SX/COMP/54/2009 dated January 27, 2009)

Physical Contract Notes

Contract note shall be printed on pre-printed stationery. Members are required to obtain acknowledgement showing the date of receipt of the same by the client. Proof of delivery of contract notes is to be maintained by the Member.

Main points for consideration while issuing physical contract note are:

a) The format of Contract note shall contain:

- Name and SEBI registration number of the member
- Dealing office as well as Main office address and contact details of the member
- Names of authorized signatories
- Name and Unique client code of the client
- Permanent account number of the member and the client
- Guideline on arbitration, information of regional arbitration centres
- Email id created by their grievance redress division / compliance officer in order to enable the investors to register their complaints along with the email id viz. investorcomplaints@mcx-sx.com created by the Exchange for the said purpose. (*applicable with effect from October 01, 2009 for digital contract notes and December 01, 2009 for physical contract notes*)

b) In the Contract note, Contract Description shall be entered with all details viz. instrument name, underlying (symbol) and expiry, in the manner as provided by the Exchange. e.g. FUTCUR USDINR 28JAN2009.

c) Brokerage has to be shown separately on the contract notes.

- d) A contract note shall be signed by the Member or his Authorized signatory or constituted Attorney.
- e) The Contract Notes shall be numbered with unique running serial number commencing from one which shall be reset only at the beginning of every financial year (viz., April to March). In case separate series are maintained in respect of different dealing offices of the Member, then the dealing office name or code shall be prefixed to the serial number.
- f) Contract notes shall also contain the time of receipt of order and the time of execution of order. In case an order is modified on the trading system of the Exchange, the order time that has to be printed on the contract note shall be:
- i) The original order placement time for the trades, if any, resulting out of the order, before such order is modified and
 - ii) The order modification time for the trades, if any, resulting out of the order, after such order is modified

Please refer MCX-SX Circular No. MCX-SX/COMP/54/2009 dated January 27, 2009

- g) Members, apart from ensuring that all prescribed details are provided in the contract note, may add any other information relevant to the trades in the contract note.

Electronic contract notes (ECN):

Members may also issue contract notes in an electronic form, in such format as may be prescribed by the Exchange from time to time, duly authenticated by means of a digital signature as specified in the Information Technology Act, 2000 and the rules there under.

Points to be noted while issuing electronic contract note are:

- The contents of contract notes as mentioned in points (a) to (g) under physical contract notes are applicable to ECN also.
- For issuing the contract notes in electronic form, Members are required to obtain confirmation from their clients either in Member client agreement or by way of a separate letter for sending contract notes in an electronic form.
- The authorization shall be in writing and be signed by the client only and not by any authorised person on his behalf or holder of the Power of Attorney.

- The usual mode of delivery of Electronic Contract Notes (ECN) to the clients, shall be through e-mail. For this purpose, Members are required to obtain e-mail ids from their constituents, and not create email ids for the clients.
- The email id shall not be created by the broker. The client desirous of receiving ECN shall create/provide his own email id to the stock broker.
- The authorization shall have a clause to the effect that that any change in the email-id shall be communicated by the client through a physical letter to the broker. In respect of internet clients, the request for change of email id may be made through the secured access by way of client specific user id and password.
- All ECNs sent through e-mail shall be digitally signed, encrypted, non-tamperable and shall comply with the provisions of the IT Act, 2000. In case the ECN is sent through e-mail with an attachment, the attached file shall also be secured with the digital signature, encrypted and non-tamperable.
- The acknowledgement of the e-mail shall be retained by the member in a soft and non-tamperable form. Member is required to maintain Proof of delivery i.e. log report generated by the system at the time of sending the contract notes. The log report shall also provide the details of the contract notes that are not delivered to the client / e-mails rejected or bounced back. Further Members are required to make available log report during inspection / audit etc.
- Member is required to communicate to his constituents, by way of member-client agreement, that non-receipt of bounced mail notification by the member shall amount to delivery of the contract note at the e-mail ID of the client.
- Whenever, the ECNs have not been delivered to the client or has been rejected (bouncing of mails) by the e-mail ID of the constituents, the Member is required to send a physical contract note within the stipulated time under the extant regulations of SEBI/stock exchanges and maintain the proof of delivery of such physical contract notes for future reference.
- In order to further strengthen the electronic communication channel, the Member is required to simultaneously publish the ECN on its designated web-site in a secured way and enable relevant access to the clients. In order to enable clients to access the ECNs posted in the designated website in a secured way, the member shall allot a unique user name and password for the purpose, with an option to the client to access the same and save the contract note electronically or take a print out of the same.

Authorization for Electronic Contract Notes

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

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

b. The email id shall not be created by the broker. The client desirous of receiving ECN shall create/provide his own email id to the stock broker. Where trading members have generated e-mail ids for existing clients, they would be required to obtain duly signed physical confirmation letters from the clients, confirming the e-mail id and exercising choice to receive documents on the said e-mail id. For all prospective clients (registered after December 3, 2009), e-mail id should be created / provided by the investor only

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

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX Regulation No. 3.6	NA	Issuance of Contract notes
2	MCX-SX Regulation No. 3.7.4	NA	Brokerage to be shown separately
3	MCX-SX/MEM/4/2008	4-Oct-08	Issuance of contract note with in 24 hours, format of contract note
4	MRD/DoP/SE/Cir-20/2005	8-Sep-05	SEBI Circular on issuance of ECNs
5	MCX-SX/COMP/54/2009	27-Jan-09	Contract notes – requirements, issuance of ECN, Contract notes not to be issued for off-market transactions, POD to be maintain for dispatch of contract notes.
6	MCX-SX/INSP/177/2009	10-Sep-09	Printing of email IDs created by the trading member and Exchange in order to enable investors to contact member/exchange in case of any grievance, on the contract notes
7	MIRSD/SE/Cir-19/2009	03-Dec-09	Clarifications issued by SEBI for issue of ECN to clients
8	MCX-SX/INSP/238/2009	04-Dec-09	Compliances in respect of dealings between a client and a stock broker (trading members included)
9	MCX-SX/INSP/296/2010	25-Feb-10	Clarifications on compliances in respect of dealings with clients (the members are required to comply with the requirements by June 30, 2010)
10	MCX-SX/INSP/331/2010	05-Apr-10	Extension of deadline. Members are required ensure full compliance with the requirements of Circular 238 & 296 by June 30, 2010.

B. Transfer of Trades:

Members are required to use unique client code of the client while entering orders on behalf of a client. In case the Trading Member uses different code for order entry, a mapping of the client codes used at the time of order entry in the trading system with the unique client codes shall be maintained by the trading member. [Regulation 15.1.5 of the (CD segment) Exchange.

Further, all orders on own account are to be entered using PRO code only.

The unique client code needs to be printed on the contract notes. In case of typing errors in client codes at the time of order entry, members may use the client code modification facility provided by the Exchange, within the prescribed time limit.

Members may note that client code modification facility is not available for changing PRO to a client's code and vice versa. It may be noted that the said facility is to be used only for rectification of errors in client codes.

Members are also advised to ensure that any rectification of client codes is effected only through the facility provided by the Exchange and that trades executed are not transferred in their back-office software:

- From one client's account to another
- From proprietary account to client's account and vice versa

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX Regulation 3.6	NA	Contract notes to be issued to clients in whose code trades have been executed
2	MCX-SX/T&S/10/2008	06-Oct-08	Post market client code modification timings
3	MCX-SX/COMP/117/2009	13-May-09	Change in client codes and transfer of trades

CHAPTER XI

Continued Membership

I - Annual and half-yearly submissions by the Members

Annual Submissions:

As per Rule 15 of the Securities Contracts (Regulation) Rules, 1957, SEBI (Stock brokers and sub-broker's) Regulations, 1992 (Chapter IV Regulation 17 (1) (3)) and Exchange Regulation no. 15.2.3, it is mandatory for all members to submit their audited financial statement and such report as may specified from time to time.

Accordingly all the registered members are required to submit Annual Accounts and other documents as mentioned below for the financial year ended March 31, not later than September 30.

- Auditors Report in the format prescribed
- Directors Report (in case of Corporate members)
- Balance sheet
- Profit and Loss Account
- Networth Certificate along with computation as per prescribed format

In case of submission of documents other than in the prescribed formats, the same would be construed as non-submission of the said documents.

Members following accounting year ending other than March 31 are required to submit the Annual Returns within a period of 6 months from the end of accounting year followed by them. Such members are required to inform the Exchange about the accounting year followed by them on or before September 30 of the current financial year.

Submission of Half Yearly Net worth Certificate:

Members are required to maintain minimum networth as stipulated (Trading members to have a balance sheet net worth of Rs.1.00 Crore, Clearing members to have a balance sheet net worth of Rs.10.00 Crores, Banks to have a minimum networth Rs.500.00 Crores). To substantiate their claim of maintenance of the prescribed networth, apart from submitted networth certificate as on March 31st every year, members are also required to submit half yearly net worth certificate as on September 30th along with computation as per the prescribed format, duly certified by a practicing chartered accountant, by December 31st of every year.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	SEBI (Stock Brokers and Sub-Brokers) Regulation (Chapter IV Regulation 17 (1) (3))	NA	Submission of annual and half yearly returns by the members to the exchanges
2	Rule 15 of the Securities Contracts (Regulation) Rules, 1957	NA	Books of accounts and other documents to be audited as specified under Rule 15 of the Securities Contracts (Regulation) Rules, 1957
3	MCX-SX Regulation no. 15.2.3	NA	Submission of annual and half yearly returns by the members to the exchanges
4	MCX-SX/MEM/139/2009	23-Jun-09	Submission of annual accounts by September 30, 2009 by all active members
5	MCX-SX/MEM/179 /2009	11-Sep-09	Submission of Annual Accounts for the year 2008-09 - last date Sept 30, 2009
6	MCX-SX/MEM/ 2009 /223	06-Nov-09	Submission of Half Yearly Networth Certificate
7	MCX-SX/MEM/361/2010	24-May-10	Submission of Annual Returns

II - Change in Shareholding Pattern / Directors / Name / Registered and Correspondence office of the Member

Members may please note that they are required to obtain prior approval of SEBI as per clause 6A (1) (C) of Securities and Exchange Board of India (Stock- Brokers and Sub- Brokers) Regulations, 1992 for "Change in Status & Constitution" which is defined in Securities and Exchange Board of India (Stock- Brokers and Sub-Brokers) Regulations, 1992 as under:

1. in case of a body corporate-
 - Amalgamation, demerger, consolidation or any other kind of corporate restructuring falling within the scope of section 391 of the Companies Act, 1956 (1 of 1956) or the corresponding provision of any other law for the time being in force;
 - Change in its managing director, whole-time director or director appointed in compliance with clause (v) of sub-rule (4A) of rule 8 of the Securities Contracts (Regulation) Rules, 1957; and
 - Any change in control over the body corporate
2. Any change between the following legal forms - individual, partnership firm, Hindu undivided family, private company, public company, unlimited company or statutory corporation and other similar changes;
3. In case of a partnership firm any change in partners not amounting to dissolution of the firm;

“Change in control”, in relation to a stock broker or a sub-broker being a body

corporate, means:-

- If its shares are listed on any recognized stock exchange, change in control within the meaning of regulation 12 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;
- In any other case, change in the controlling interest in the body corporate;
Explanation: For the purpose of sub-clause (ii), the expression "controlling interest" means an interest, whether direct or indirect, to the extent of at least fifty-one per cent of voting rights in the body corporate;

Following formats for application of change in status & constitution are available on : http://www.mcx-sx.com/SitePages/status_constitution.htm

- Merger & Amalgamation
- Change in designated director
- Change in shareholding with change in control

Further, for any other change, members are required to intimate to the Exchange. Following formats for application of change in status & constitution are available on: http://www.mcx-sx.com/SitePages/changes_intimation_exchange.htm

- Change in non-designated director
- Change in shareholding without change in control
- Change in registered / communication address
- Change in Compliance Officer
- Change in Trade Name

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	Rule 6A (1) (C) of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992	NA	Change in constitution
2	MIRSD/MSS/Cir-30/13289/03	09-Jul-03	SEBI circular on - Change in constitution
3	MCX-SX Regulation no. 4.2.1 (f)	NA	Change in constitution
4	SEBI/MIRSD/Cir No. 03/2010	21-Jan-10	Clarification from SEBI for obtaining prior permission in case of changes
5	MCX-SX/MEM/275/2010	28-Jan-10	Forwarding SEBI circular on changes

III - Members Indemnity Insurance Policy

SEBI, vide circular no. SMD/SED/RCG/270/96 dated January 19, 1996, has mandated every member of a stock exchange to have an insurance cover. SEBI has also cast an obligation on the Exchanges to ensure that this requirement is complied with, by all the members.

Further the Trading Member Undertaking submitted by every Member to the Exchange, requires that the member shall subscribe to insurance cover.

Members may also note that, they may take the insurance cover from any insurance company, recognized by Insurance Regulatory Development Authority (IRDA).

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX/FandA/22/2008	27-Oct-08	Members Indemnity Insurance Policy
2	MCX-SX/MEM/115/2009	04-May-09	Members Indemnity Insurance Policy – last date of submission of premium receipt – May 22, 2009
5	MCX-SX/MEM/210/2009	26-Oct-09	Forwarding insurance proposals issued by United India Insurance and New India assurance

IV - Fund Based Activity

Members shall not engage in any kind of fund based activities. Moreover, it shall not engage in any other business other than securities business.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	SEBI circular no. SMD/POLICY/CIR-6/97	07-May-97	Fund based activity

V - Payment of SEBI Turnover Fees

Members may note that with effect from July 1, 2009, SEBI has reduced fees on securities transactions vide notification no. LAD-NRO/GN/2009-10/11/167759 dated June 29, 2009 from Rs.20/- per crore to Rs.10/- per Rs 1 crore of turnover.

The SEBI registration fee is collected by the Exchange at the end of each month from the members by debiting their clearing member's account.

The revised fee structure is as under:

Sl. No.	Nature of securities transaction	Rate of fee
(a)	All sale and purchase transactions in securities other than debt securities	0.0001% of the price at which the securities are purchased or sold (i.e. Rs 10 per Rs 1crore)
(b)	All sale and purchase transactions in debt securities	0.000025% of the price at which the securities are purchased or sold (i.e. Rs 2.5 per Rs 1crore)

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX/MEM/145/2009	02-Jul-09	Reduction in SEBI Turnover fees

VI - Advertisement code

The Members of the Exchange, while issuing advertisements, shall adhere to the Code of Advertisement prescribed by the Exchange. Members are required to submit a copy of advertisement to the Exchange 7 days in advance to get prior approval before its issue in publication / media.

Members are required to retain a copy of such advertisement for a period of three years.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX Bye-Laws – Chapter VI – 2 (c)	NA	Issue of advertisement
2	MCX-SX/MEM/30/2008	19-Nov-08	Advertisement code

VII - Designated Email ID

Every member shall designate one contact e-mail ID as “Designated Email ID” and inform the same to the Exchange. The Exchange would be sending all e-mail communication to this e-mail ID. Also, all e-mails received from the member specified “Designated Email ID” would be considered as official communication from the member.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX/MEM/357/2010	14-May-10	Submission of “Designated Email ID”

VIII-Transmission of Membership

Member may note that, Exchange may permit transmission of Membership in the unfortunate event of death of an individual Trading Member or in case where nomination is made due to physical incapacitation.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX/MEM/ 373 /2010	21-Jun-10	Transmission of Membership

CHAPTER – XII

Trading System

Use of Trader Work Station (TWS)

Approved Workstation

Approved workstation refers to such trading workstation of a Member or a Participant comprising of computer terminal(s) and all associated equipment installed and connected to the Trading System and used by the trading member or the Participant for the purpose of market inquiry, execution of orders/trades and settlement of its trades on the Trading System, and all other actions associated with the trading and settlement on the Trading System.

Trading on the Exchange shall be allowed only through approved Workstation(s) located at approved locations at the office of a Trading Member. If an approved workstation of a Trading Member is connected by LAN or any other way to other workstations at any place, it shall require an approval of the Exchange.

Members who are desirous of accessing the trader workstation, using VSAT, Leased Line and Internet shall apply to the Exchange in a prescribed format, mentioning the details of approved users. (MCX-SX/T&S/2/2008 dated October 4, 2008)

Trading Member/ Participant shall not, permit itself or any other person(s) to:

- a) Use the software provided by the Exchange for any purpose other than the purpose as approved and specified by the Exchange
- b) Use the software provided by the Exchange on any equipment other than the workstation approved by the Exchange
- c) Copy, alter, modify or make available to any other person the software provided by the Exchange
- d) Use the software in any manner other than the manner as specified by the Exchange
- e) Attempt directly or indirectly to decompile, disassemble or reverse engineer the same.

Person using the Trader Work Station (TWS) is known as Approved User.

Qualifications of an Approved User:

- Only persons who are registered as Trading Members and Participants in accordance with provisions of the Byelaws, Rules and Regulations of the Exchange or are agents of Trading Members, for whom an application has been made to the Exchange by the Trading Members in accordance with the format

specified by the Relevant Authority of the Exchange from time to time, may be approved as Users.

- Person having attained the age of minimum 21 years of age.
- Person against whom no disciplinary action was been taken by the Exchange or any other Stock Exchange.
- Person who is not a former trading member or approved user of such trading member, if such Trading Member or approved user is one against whom any disciplinary action has been taken by the Exchange or any other Stock Exchange
- Person who has passed Certification course as approved by SEBI. The Certification obtained should be valid for the period specified by the CD Segment of the Exchange from time to time. On the Certification becoming invalid due to any reason, It shall be the responsibility of the approved user to inform the Exchange of the expiry of the Certification, if any.

Each approved user is given a unique identification number through which he shall have access to the Automated Trading System (ATS). He/She can access the ATS through a password and can change such password from time to time. A Trading Member /Participant or its approved users thereof are required to maintain complete secrecy of their password. An approved user is required to change his/her password at the end of the password expiry period. The password expiry period is specified by the Exchange from time to time.

Trading Members/Participants desiring to change the User Id or cancel the authority given to its approved user to operate the trading system on their behalf shall intimate the Exchange in writing, in such form and manner as the Exchange may specify, immediately on taking such action and obtain confirmation from the Exchange of having received such intimation, and of disablement of the particular approved user by the Exchange. However the Trading Member/Participant shall continue to be liable for all the activities reported on the basis of such or previous User Id undertaken up to a period of 24 hours after his obtaining a confirmation as mentioned above from the Exchange. The Trading Member shall cancel all his outstanding orders in respect of such approved user.

Whenever an approved user of the Trading Member/Participant ceases to act in such or any capacity with the Trading Member then such Trading Member is required to inform the Exchange, within 24 hours, the name and other particulars of such approved user.

As per SEBI requirement, the trading members are required to have approved users and sales personnel who have obtained Series-I: CD certification specified by National Institute of Securities Markets (NISM). All the existing users and sales personnel are required to obtain Series-I: CD certification specified by National Institute of Securities Markets (NISM) latest by September 30, 2009.

Qualifications Investigated:

It is the duty of each Trading Member to ascertain the good character, business repute, qualifications, and experience of any person prior to making such certification in the application for registration of such person, with the Exchange as Approved user. (MCX-SX Regulation 4.2.4)

Failure of Trading Members' Terminal

In the event of failure of Trading Members'/Participants' workstation and / or the loss of access to the trading system, the Exchange may at its discretion undertake on behalf of the Trading Member /Participant (although not guarantee) to carry out the necessary functions which the Trading Member /Participant is eligible on a valid request from such Trading Member /Participant subject to such terms and conditions which the Exchange may deem necessary to be imposed. The Exchange shall entertain such request only if such request is made in writing in a clear and precise manner by the Trading Member and in a manner as specified by the Exchange. The Trading Member /Participant shall be accountable for the functions executed by the Exchange on their behalf and shall indemnify the Exchange against any losses or costs arising out of the above situation.

Use of Terminals connected through Computer to Computer Link (CTCL)

Members desirous of starting CTCL trading facility are required to obtain prior permission for the same and complete the documentation as mentioned in exchange circular no. MCX-SX/CTCL/15/2008 dated October 14, 2008.

Person using the CTCL terminal is known as Approved Person. Qualifications of an Approved person are similar to those of an Approved user.

Members using the CTCL facility are required to submit all the CTCL terminals details such as, its user IDs, User names, location etc to the exchange prior to executing trade using such terminals. (MCX-SX/CTCL/8/2008 dated October 4, 2008.)

Members, availing CTCL facility for trading on the Exchange, are required to permit only those users who have who have obtained Series-I: CD certification specified by National Institute of Securities Markets (NISM). All the existing users and sales personnel are required to obtain Series-I: CD certification specified by National Institute of Securities Markets (NISM) latest by September 30, 2009.

Members availing CTCL facility are required to upload CTCL details of the above certification of all users on Extranet (FTP) server. (MCX-SX/MEM/31/2008 dated November 21, 2008)

Members of the Exchange are allowed to develop their own in-house trading front end (CTCL / IBT software using Application Programming Interface (API) provided

by the Exchange or develop CTCL / IBT software from non-empanelled vendors). Exchange shall provide the API for the interface with the Exchange trading system after submission of required documents. Guidelines on such applications and details of requirements are mentioned in circular no. MCX-SX/IT/CTCL/29/2008 dated November 11, 2008.

Members are required to make sure that no unauthorized orders are executed from any terminal. Members shall provide TWS only at its Main and branch office(s).

Internet Based Trading Facility:

Members desirous of offering internet based trading facility to their clients are required to obtain prior approval of the same from the exchange.

Further, SEBI vide its circular no. SMDRP/POLICY/CIR-06/2000 dated January 31, 2000 provided guidelines on various conditions to be met by the Members before providing internet based trading facility to its clients. Members also need to execute an agreement with the clients for internet based trading. The Exchange has prescribed draft format of the said agreement vide circular no. MCX-SX/COMP/57/2009 dated January 29, 2009.

As per the Exchange circular and as stipulated in the SEBI circular (both referred above), the Members are required to ensure that only persons possessing a degree from a recognized University or equivalent and a SEBI approved certification in currency derivatives are eligible to handle internet based trading for the Member.

In case of details of CTCL based Internet Based Trading (IBT) terminal, the terminal id to be uploaded to the exchange is "111111111111". This id also needs to be uploaded prior to executing trades. (MCX-SX/CTCL/8/2008 dated October 4, 2008.)

Members of the Exchange are allowed to develop their own trading front end in-house (CTCL/IBT software using Application Programming Interface (API) provided by the Exchange or develop CTCL/IBT software from non-empanelled vendors. Exchange shall provide the API for the interface with the Exchange trading system after submission of required documents. Details of such requirements are mentioned in circular no. MCX-SX/IT/CTCL/29/2008 dated November 11, 2008.

Automated Trading Facility

Exchange allows automated trading facility (ATF) for placing orders on the trading system of the Exchange. ATF means any software or program designed to automatically generate and place buy/sell orders in the trading system of the Exchange, upon the fulfillment of certain specified parameters, without manual intervention.

Members desirous of using ATF facility are required to abide by the following conditions:

- ATF shall be made available only at the office of a member through its CTCL terminal, approved by the Exchange.
- Members shall ensure that the ATF is used only by the person approved by the Exchange to operate CTCL terminal (“Approved Person”).
- Orders through automated trading facility will be permitted in only those securities / contracts as may be specified by the Exchange from time to time. To start with ATF is permitted in all currency futures contracts traded on the Exchange.
- The Exchange reserves the right to withdraw or modify this facility in respect of all or any securities / contracts, generally or specifically for any member or for any client of any member.
- Members shall ensure that sufficient deposits / funds are available for margin / settlement obligations, in respect of the trades effected through automated trading facility, whether on own account or client’s account and that automated trading does not result in shortages in margin deposit nor settlement obligation.
- Members shall also ensure that all risk management measures like price / volume parameters, open position limits, etc. are strictly adhered to by automated trading facility
- The Exchange may, where it deems it necessary to do so, place restrictions on automatic generation of orders through ATF at or beyond the price levels specified by it and thereupon the Members shall be bound to ensure that such orders are not generated and placed on the trading system of the Exchange.
- Members shall ensure that the trades routed through ATF are not in the nature of abnormal / manipulative trades.
- Members shall be solely responsible for all the losses, damages or other costs and consequences arising in any manner to them pursuant to the use of automated trading facility and shall not hold the Exchange responsible in any manner whatsoever.
- System audit applicable for CTCL / IBT software shall also be extended to the ATF and the same may be carried out in conjunction with the CTCL audit.
- All compliance requirements will apply mutatis mutandis, in respect of automated trading facility.

ATF to clients

Members desirous of providing the service of placing orders on behalf of clients through ATF, are required to adhere to the following.

- ATF service shall be made available only through an Approved Person operating a CTCL terminal at the office of a member, as approved by the Exchange i.e. order generation through ATF shall be effected only by Authorized Person of the trading member and Automated Trading Software shall not be given to any clients.
- ATF service shall not be provided to all clients as a matter of routine and shall provide to a client, only if the client specifically requests for the service.

- The request letter shall not be a part of the client registration documents kit and shall be taken from the client separately.
- Upon receipt of the request letter, the member shall give to the client a document in duplicate, detailing the features of the ATF, as provided by the software vendor or prepared by the member (depending on whether vendor's or in-house software is used by the member) and also the risk factors involved.
- The client shall read the ATF document and, if interested in availing the service, shall return an acknowledged copy of the document to the member and also submit duly stamped undertaking in the format prescribed by the Exchange
- Upon receipt of duly executed undertaking from the client, the Member may accept written instructions from the client for buying or selling, securities / contracts together with specification of parameters for order generation such as order generation timing, order quantity, etc. .
- All the above said documents shall be preserved by the member and shall be produced to the Exchange at the time of inspection.

Software

Members who wish to avail ATF either through CTCL software developed and provided by empanelled CTCL vendors of the Exchange or through an in-house developed software are required follow the procedure and submit the documents specified by the Exchange.

Direct Market Access

Direct Market Access (DMA) is a facility which allows Members to offer their clients direct access to the exchange trading system through their Computer to Computer Link (CTCL) infrastructure without manual intervention by them.

Application

Members who are desirous of offering DMA facility to their eligible clients may make an application to the Exchange for approval. The application form should contain a certificate in the specified format, from ISACA certified CISA auditor holding a valid membership number, that the proposed DMA software and systems of the applicant are reliable. The electronic/automated risk management systems should be capable of carrying out appropriate validations of all risk parameters including Quantity limits, Price Range Checks, Order Value and Credit Checks before the orders are released in the Exchanges trading system.

Applicant members are required to test their proposed DMA software in the test environment provided by the Exchange at a pre-specified time (under previous intimation to the Exchange). Upon satisfactory completion of such testing, they shall seek appointment with the Exchange for making demonstration of their proposed DMA facility. On satisfactory results and fulfillment of all conditions mentioned by SEBI and by the Exchange, the member would be granted approval on a case-to-case basis to provide the facility to its eligible clients (such clients who have been provided the facilities are hereinafter referred to as "DMA clients").

Eligibility:

DMA facility is currently permitted by SEBI only to institutional clients and further extended to investment managers as specified in the aforesaid SEBI circular no.MRD/DoP/SE/Cir-3/2009 dated February 20, 2009. Such institutional clients may use the services of an investment manager or advisor or portfolio manager (“Investment Manager”) to avail the DMA facility, as mentioned in the SEBI circular. The Members providing the facility shall ensure compliance with the KYC norms, record-keeping requirements, audit trail and other requirements, as mentioned in the SEBI circulars and required by the Exchange, in respect of their DMA clients and orders emanating from their systems.

The systems and the software proposed for the DMA facility shall be duly certified by ISACA certified CISA auditor before the grant of permission by the Exchange.

Model Agreement

The Members shall enter into an agreement with their DMA clients on the lines of the model given in Annexure III of Exchange circular no. MCX-SX/CTCL/305/2010 dated 03-Mar-09. The agreements with DMA clients shall not contain any clause that is less stringent or that is contrary to the conditions stipulated in the model agreement.

Operational Specifications including password maintenance and authentication

Members shall ensure that standard procedures as mentioned under part 2 (“Operational specifications”) of SEBI circular no MRD/DoP/SE/Cir-7/2008 dated April 03, 2008, are provided in the DMA facility, including in cases where the clients access the DMA server of broker through third party service providers.

Password maintenance and authentication may be done either by the trading member and or by the third party network service provider. The member shall ensure that there is secured access and communication and a sound audit trail for all the DMA orders/trades. The trading members and the DMA clients shall have appropriate agreements with the third party service providers for ensuring secured access and communication.

The systems used by the members for DMA facility shall have adequate security, reliability and confidentiality of data through use of encryption technology. Members shall also ensure that there are adequate provisions for back-up systems and data storage capacity in place. The Members shall ensure that proper audit trail, transaction logs, identification of user ID, activities / alert logs, unique numbering of orders / trades are maintained.

The authorized user and client details should be part of the order details received and authenticated at the DMA server of the trading member.

Other requirements

Members are advised to note that they shall be fully responsible and liable for all orders emanating from their DMA systems and that it shall be their responsibility to ensure that only eligible DMA clients access the facility.

Members are further advised to ensure that their systems do not cross trades of their clients with each other and that all orders are placed in the Exchange system.

DMA Terminal Details Upload

Trading members providing 'Direct Market Access' facility are required to populate the following values in the field provided (15–digits) in the order structure for every order emanating from DMA terminals.

Digits	Value	Description
1-12 digits	222222222222	DMA order identification
13th digit	0 OR 1	'0' (for Non Algorithmic order) '1' (for Algorithmic orders)
14-15 digits	00	Vendor code for In-house

Members who have availed CTCL, IBT and DMA facilities are required to adhere to the instructions mentioned in Annexure I of Exchange circular no. MCX-SX/CTCL/306/2010 dated March 9, 2010.

Securities Trading using Wireless Technology

SEBI vide circular no. CIR/MRD/DP/25/2010 dated August 27, 2010, has permitted "Securities Trading using Wireless Technology" (referred as 'Wireless Trading') which shall include devices such as mobile phone, laptop with data card, etc, that use Internet Protocol (IP).

Members who have been permitted by the Exchange to provide Internet Based Trading (IBT) are eligible to provide Wireless Trading. All relevant requirements applicable to IBT shall also be applicable to Wireless Trading. Members availing the Wireless Trading should ensure complete compliance with SEBI circular no. CIR/MRD/DP/25/2010 dated August 27, 2010, and Circulars relating to IBT.

Members, who have already taken permission for IBT facility from Exchange and wish to avail the facility of Wireless Trading, shall make an application in the format specified along-with an undertaking to the Exchange. Details of application and undertaking are mentioned in circular no. MCX-SX/CTCL/446/2010 dated September 24, 2010

Further, members, who have not taken permission for IBT facility, and wish to avail the facility of Wireless Trading shall apply to Exchange for IBT facility as per Exchange circular: MCX-SX/CTCL/306/2010, dated March 9, 2010 and additionally submit an application along-with an undertaking to the Exchange as mentioned in Circular no. MCX-SX/CTCL/446/2010 dated September 24, 2010. Once IBT facility approval is given by Exchange, the member can start providing Wireless Trading facility.

Members providing Wireless Trading facility are required to populate first 1-12 digits of CTCL terminal info as "333333333333" in the order structure for every order emanating from Wireless Trading devices. Further member should ensure that the next periodic audit of their systems done as per Exchange Circulars shall cover compliance of all requirements mentioned in SEBI and Exchange Circulars on Wireless Trading.

Members providing Wireless Trading facility are required to ensure the following:

- (a) There shall be secure access, encryption and security of communication for internet based trading and securities trading using wireless technology. DOT policy and regulation shall govern the level of encryption.
- (b) Adequate measures should be taken for user identification, authentication and access control using means such as user-id, passwords, smart cards, biometric devices or other reliable means, to prevent misuse of facility by unauthorized persons.
- (c) Unique identification number as given in case of internet based trading shall be made applicable for securities trading using wireless technology.
- (d) In case of failure of the wireless network, alternative means of communication for placing orders should be available.
- (e) Additional provisions specifying possible risks, responsibilities and liabilities associated with securities trading using wireless technology should be incorporated in the Member - Client agreement as an addendum or by bringing to the notice of clients, who are desirous of availing such facility, and taking their concurrence on the same.
- (f) As it may not be possible to give detailed information to the investor on a hand held device e.g. mobile phones, it may be ensured that minimum information may be given with addresses of the Internet web site/web page where detailed information would be available.
- (g) Order confirmation should be provided to the user on submitting the order. Order modification / cancellation facilities should also be provided. Trade confirmation should be provided to the user, along with history of trades for the day.

- (h) Session login details should not be stored on the devices used for internet based trading and securities trading using wireless technology.
- (i) Network security protocols and interface standards should be as per prevalent industry standards and sound audit trails should be available for all transactions conducted using wireless devices.
- (j) The member's server routing orders to the exchange trading system shall be located in India.
- (k) Apart from ensuring the above requirements are met, member can take such other measures and implement such other safeguards as they deem fit to ensure security and integrity of transactions conducted using wireless technology.

System audit

Members offering CTCL / Internet Based Trading / Automated Trading Facility and DMA facilities are required to undertake audit of their systems annually. The audit should be conducted for the purpose of and with an objective of identifying the system inadequacies / deficiencies, if any, based on compliance requirements and the implications of such inadequacies. The audit should be conducted by a CISA/CISSP/ISA certified auditor who shall be independent of the empanelled vendors of the Exchange and/or Partners/Directors of the Trading Members.

Members are required to submit the System Audit Report to the Exchange by July 31st every each.

List of Empanelled Vendors

Vendor Name	Address	Contact Person	Tel Nos
Automated Trading Technologies Pvt. Ltd.	Royal House, 2nd Floor, Opp. Golden Triangle, Stadium Road, Ahmedabad – 380 014.	Mr. H.P.Rajdev Email: hrajdev@autotradetech.com	Ph: 079-26407860 Fax: 079-26400601
Financial Technologies (India) Ltd.	6th Floor, Boston House, Suren Road, Chakala, Andheri (East), Mumbai – 400 093.	Mr. Vishal Mainkar Email: vishal.mainkar@ftindia.com	Ph: 022-67099600 Fax: 022-67099066
Marketplace Technologies Pvt. Ltd.	3rd floor, B-wing, Aggarwal Trade Centre, Plot 62, Sector 11, Belapur CBD, Navi Mumbai - 400 614.	Mr. Sameer Narkar Email: sameer.narkar@mktech.in	Ph.: 022-61484250 Fax: 022-27566906

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX Regulation No. 2.1	NA	Trading Systems
2	MCX-SX Regulation No. 2.2.10.(a)	NA	Approved user
3	MCX-SX Regulation No. 1.3.3	NA	Approved workstation
4	SMDRP/POLICY/CIR-06/2000	31-Jan-00	SEBI Circular on internet based trading
7	MCX-SX/CTCL/8/2008	04-Oct-08	CTCL details to be uploaded to the exchange
8	MCX-SX/CTCL/15/2008	14-Oct-08	Prior permission for offering CTCL and IBT facilities, Various formats of applications, undertaking etc required for applying Internet Based Trading facility – applicability of system audit for CTCL/IBT
9	MCX-SX/IT/18/2008	23-Oct-08	Various formats of applications, undertaking etc required for applying Internet Based Trading facility using qualified Application Service Provider (ASP)
10	MCX-SX/IT/CTCL/29/2008	11-Nov-08	In-house CTCL/IBT software development by Members
12	MCX-SX/IT/47/2009	05-Jan-09	Automated trading facility (ATF)
13	MCX-SX/COMP/57/2009	29-Jan-09	IBT facility developed in-house or through non-empanelled vendor, prior approval for offering the same to clients, model format of internet agreement
14	NISM/Certification/Series-I: CD/2009/2	12-May-09.	NSE-FEDAI NCFM certification obtained up to May 14, 2009 to be valid for CD segment till its expiry.
15	SEBI notification No. LAD/NRO/GN/2009-10/04/163097	13-May-09.	NISM certification will become applicable with immediate effect for new users / sales personnel of CD segment.
16	MCX-SX/MEM/ 123 /2009	21-May-09.	NISM certification for new CD terminal users / sales personnel with immediate effect and for all existing users w.e.f. August 10, 2009
17	MCX-SX/MEM/ 148/2009	09-Jul-09	Members were reminded to submit NISM certificates for CTCL and TWS users by August 10, 2009
18	MCX-SX/MEM/ 149 /2009	21-Jul-09	Members were reminded to submit NISM certificates for CTCL and TWS users by August 10, 2009
19	MCX-SX/MEM/162/2009	10-Aug-09	Deadline for obtaining NISM extended up to September 30, 2009
20	MCX-SX/MEM/178 /2009	11-Sep-09	Members were reminded to submit NISM certificates for CTCL and TWS users by September 30, 2009
21	MCX-SX/CTCL/189/2009	23-Sep-09	Correct information pertaining to NISM Certification against the corresponding unique CTCL ID number is to be updated in the detailed records of CTCL upload file.
22	MRD/DoP/SE/Cir-7/2008	03-Apr-08	SEBI permitted introduction of Direct Market Access facility (“DMA Facility”).
23	MRD/DoP/SE/Cir-3/2009	20-Feb-09	SEBI issued clarifications regarding availing of DMA facility by institutional clients through their investment managers
24	MCX-SX/CTCL/305/2010	09-Mar-10	Direct Market Access Facility
25	MCX-SX/CTCL/306/2010	09-Mar-10	CTCL / IBT/ DMA Facility
26	MCX-SX/CTCL/363/2010	31-May-10	System Audit requirement for CTCL / IBT / DMA / ATF trading facility for the period April 1, 2009 to March 31, 2010.
27	MCX-SX/CTCL/433/2010	07-Sep-10	List of Empanelled Vendors providing CTCL / IBT.
28	CIR/MRD/DP/25/2010	27-Aug-10	SEBI Circular on Securities Trading using Wireless Technology
29	MCX-SX/CTCL/431/2010	03-Sep-10	Forwarding SEBI circular on Securities Trading using Wireless Technology
30	MCX-SX/CTCL/446/2010	24-Sep-10	Requirement for availing Trading using Wireless Technology

CHAPTER – XIII

Risk Management, Margin collection and reporting mechanism

Clearing/Trading members are required to collect margins (Initial margin, extreme loss margin, calendar spread margin or any other margins) as prescribed by the Exchange / Clearing Corporation from their clients on an upfront basis. As a part of Risk Management System, Members are required to have proper policy, procedure and systems for collection of margins from the clients and reporting the same to the Exchange.

Clearing Members are required to maintain and operate a separate and distinct Settlement Account for the currency derivatives segment with any one of the designated Clearing Banks as mentioned in circular no. MCX-SX/C&S/63/2009 dated February 19, 2009. Clearing members may deposit funds into this designated settlement account and can withdraw funds from this account only in self-name. Clearing members having funds obligation to pay shall have clear balance of requisite funds in this Settlement account on or before the stipulated funds pay-in day and the stipulated time.

Clearing members shall not seek closure or de -activation or revocation of the authorization of this Settlement account without prior written consent of MCX-SX Clearing Corporation Ltd (MCX-SX CCL).

Liquid Net-worth and Margin Deposits

Liquid Net-worth:

All clearing members shall maintain liquid networth of Rs. 50 lacs with MCX-SX CCL at all points of time. Such liquid networth shall be deposited in the form of ;

- Cash component: Cash,
- Other than Cash: Bank Guarantees, Fixed Deposit Receipts and Government Securities (G-Secs), issued in favour of MCX-SX CCL

However, the cash component shall be at least 50% at all points of time. Further, the liquid networth is not available for availing any exposure nor towards margin deposit.

Liquid Net-worth shall be computed as liquid assets deposited by a clearing member less initial margin and extreme loss margin payable at any point of time.

Margin Deposits:

Clearing Members who wish to provide any deposits over and above their minimum liquid net-worth requirement may provide so to MCX-SX CCL in the form of:

- Cash deposits
- Bank guarantees
- Fixed deposit receipts
- Approved Securities, G-Secs, T-Bills, Units of Mutual Funds and ETFs in demat form.

Collateral management

Securities as Collaterals

Clearing Members can submit securities approved by MCX-SX CCL in demat form with the approved custodian(s) for the purpose of additional deposit. Securities can be submitted as collaterals through approved custodian for which Clearing Members may have to comply with the terms of the custodians. The scheme for depositing approved securities (Equity Shares and Exchange Traded Fund) in electronic form), is as under:

Equity shares and Exchange Traded Funds (ETFs) as collateral

- (i) Clearing Members can deposit equity shares of approved companies and ETFs in electronic form (Demat securities) in the designated depository accounts maintained by the Custodian(s) approved/appointed by the MCX-SX CCL in this regard. These securities shall be pledged in favour of MCX-SX CCL.
- (ii) The securities shall be subject to a minimum margin / hair cut as specified by MCX-SX CCL from time to time. The custodian does the valuation of the said securities pledged after applying the hair cut specified

The securities will be accepted from a Clearing member with the following upper limits or such amount as may be decided from time to time:

- Shares / EFTs of single ISIN (one company) - upper limit of Rs. 500 lakh
- Shares / EFTs of all the ISINs (collectively) - upper limit of Rs. 2500 lakh

In case of discontinuation of a security from the list of approved securities, the valuation of such securities will be reduced from the additional security deposit. In such case, Clearing Members are advised to replace such security with eligible securities within two working days

The lists of approved securities and approved banks for issue of bank guarantees / fixed deposit receipts, for the purpose of margin payment by clearing members, are

specified by the Exchange from time to time and the same are applicable in respect of margin collection by members from constituents. (MCX-SX CCL/CD/01/63/2009 dated February 19, 2009)

Ownership of Securities

- (i) The securities that may be deposited shall be subject to the beneficial ownership of the Clearing Member, any of the partners or any of the directors of the Clearing Member, in case of individual, partnership or corporate members respectively as the sole/first joint holder, provided no depositor of securities shall be a minor as on the date of deposit thereof.
- (ii) In case of reconstitution/restructuring or any such change in the partners/directors of the Clearing Member, as applicable, a Clearing Member shall be required to replace the securities belonging to such outgoing partners or directors solely or jointly, as the case may be, immediately and no benefit shall be given for such securities towards Additional Margin Deposits or such similar requirements.

Securities not acceptable

The following securities shall not be accepted for the purpose of security deposit:

- (i) Securities not as per the approved list;
- (ii) Partly paid up securities;
- (iii) Securities subject to any lock in period, buy back scheme, any charge or lien, encumbrance of any kind or whose title is questioned before a Court or any regulatory body or such other limitations.

Opening of accounts:

- Clearing Members are required to open a separate demat account with the approved custodian(s) of MCX-SX CCL for depositing securities.
- For this purpose, Clearing Members, who are individuals, may open an account in their name if securities offered are held in their names. Clearing Members who are a partnership firm may open an account in their partners' names if securities are held in the names of the partners as the case may be, and Clearing Members who are corporate bodies may open an account in the corporate name or in the name of their designated directors as the case may be, depending upon the beneficiary of securities. However, these accounts are required to be separate and used for the purpose of such deposit of securities only.
- Clearing Members who are interested to avail this facility may get in touch with the officials of the approved Custodian(s) to ascertain the modalities with regard to deposit of securities.

Marking of pledge

Clearing Members along with joint holders, if any, may deposit dematerialized securities with the custodian by marking a pledge of the securities in favour of MCX-SX CCL. In addition to any document as may be required by the approved custodian(s) in this regard, the following documents are required to be provided to the approved custodian(s):

- i) Deed of pledge is to be executed in the format prescribed by the MCX-SX CCL and available with the approved custodian(s) on a non-judicial stamp paper of Rs.200/-
- ii) Certified true copy of the relevant Board Resolution in case of a corporate body.
- iii) Clearing Members and the joint holders, if any, shall give the necessary pledge instruction(s) to the approved Custodian for the securities to be pledged in favour of MCX-SX CCL. Once the securities are accepted and duly pledged by the approved Custodian, the approved Custodian shall inform MCX-SX CCL the value of the securities after adjusting the relevant margin percentages / haircut as stipulated by MCX-SX CCL and the same shall be considered as additional margin deposit.

Valuation of Securities by Custodian

- i) The value of the securities deposited will be reckoned at the last closing price / rate every day as being provided / used by NSDL or CDSL, as the case may be, to the approved custodian(s) prior to the date of deposit.
- ii) Valuation will be done on the basis as under:
 - a) The Valuation of the Securities will be done by the Custodian after the applicable haircuts which will be equivalent to the Value at Risk (VaR) of the respective security, calculated on the basis of NSE prices. Where NSE prices are not available, BSE prices will be considered.
 - b) In case a security is not traded in either of these stock exchanges on the date of valuation, the last traded price at NSE shall be considered and failing the same, the last traded price at BSE would be reckoned for this purpose.
 - c) However, in case any security is not traded during the six months preceding the date of such valuation, the same will not be considered for the purpose of valuation.
 - d) Clearing Members may note that the benefit that they may receive on the securities as collaterals will be subject to the ratio of 1:1 with cash and cash equivalents (Cash + BG + FDR + G-SECs + T-Bills).
- iii) The valuation as explained above shall be reduced by the relevant margin percentage (hair cut) to arrive at the collateral value of the securities. Only the value net of margins so arrived shall be considered as the value of such securities.
- iv) The approved custodian(s) shall do valuation of securities daily or at such regular intervals and in such manner as may be specified by MCX-SX CCL.

Release of securities deposited (cancellation of pledge)

- i) Clearing Members may withdraw or replace the pledged securities from time to time.
- ii) Clearing Members are advised to submit a letter for withdrawal of the pledged securities as per the format specified by MCX-SX CCL from time to time.
- iii) MCX-SX CCL may consider the request for release provided
 - a) such Clearing Member has no outstanding obligations / positions / dues towards MCX-SX CCL, and that there is no other liability under the Rules, Bye -Laws and Regulations of MCX-SX CCL, and
 - b) MCX-SX CCL is of the opinion that such release does not entail any risk.
- iv) Upon receipt of a request from a Clearing Member for withdrawal of securities, MCX-SX CCL may in accordance with the provisions detailed above, inform the approved custodian(s) to release such specific securities. The said custodian(s) shall then cancel the pledge marked in favour of MCX-SX CCL and release such securities to the said Clearing Member.

Custodian charges

- i) The approved custodian(s) will specify the charges to be levied for the above services and the manner in which the payments are to be made to them.
- ii) The Clearing Members shall pay the bills raised by the approved Custodian(s) within 15 days of receipt of such bills directly to the custodian. In case the concerned Clearing Member does not pay such bills within the stipulated period, appropriate action, as may be decided by Relevant Authority or MCX-SX CCL, as it deems fit and proper, shall be initiated against the said Clearing Member.

Position Limits

All the participants are subject to upper limits in respect of the total value of their positions in the market, as given below.

Levels	USD-INR	Euro-INR	Pound Sterling – INR	Japanese Yen - INR
Client	not exceed 6% of the total open interest or 10 million whichever is higher	6% of the total open interest or EUR 5 million whichever is higher	6% of the total open interest or GBP 5 million whichever is higher	not exceed 6% of the total open interest or JPY 200 million whichever is higher
TM Level	not exceed 15% of the total open interest or 50 million USD whichever is higher	not exceed 15% of the total open interest or EUR 25 million whichever is higher	not exceed 15% of the total open interest or GBP 25 million whichever is higher	shall not exceed 15% of the total open interest or JPY 1000 million whichever is higher

Levels	USD-INR	Euro-INR	Pound Sterling – INR	Japanese Yen - INR
Bank	15% of the total open position or 100 million USD, whichever is higher	not exceed 15% of the total open interest or EUR 50 million whichever is higher	15% of the total open interest or GBP 50 million whichever is higher	not exceed 15% of the total open interest or JPY 2000 million whichever is higher

Position limits shall be calculated based on the total open interest of the underlying at the end of the previous day's position, which shall be made available to the members on the Exchange website ([http:// www.mcx-sx.com](http://www.mcx-sx.com)).

The Exchange disseminates alerts on member administrator terminal whenever the gross open position of the client exceeds 3% of the total open position in the underlying i.e.50% of allowed position limits. This will help the member to monitor the client level open positions and to control the same. On breach of the above mentioned position limits, the Trading / Clearing member is required to submit detailed information pertaining to KYC of the client, nature and detail of position held, position in the underlying, position held by related entities along with supporting documents.

Collection of Margin from the constituents and reporting the same to the Exchange / Clearing Corporation

Initial margin is computed on an online real time basis, payable on all open positions of Clearing Members, up to client level, and is payable upfront by Clearing Members in accordance with the margin computation methodology adopted by MCX-SX CCL from time to time.

Initial margin requirement:

- **For client positions** - shall be netted at the level of individual client and grossed across all clients, at the trading/ clearing member level, without any set-offs between clients.
- **For proprietary positions** - shall be netted at trading/ clearing member level without any setoffs between client and proprietary positions. The margins so computed shall be aggregated first at the trading member level and then aggregated at the clearing member level.

Updation of risk parameters

The parameters for computation of span margin shall be updated as specified by the relevant authority from time to time. To start with, the parameters shall be updated 5 times in the day during trading, based on the prices at 11:00 a.m., 12:30 p.m., 2:00

p.m., end of the trading and beginning of the trading. Risk parameters generated based on the updated parameters shall be provided on the Exchange's website.

Members shall

- Demand margin from its constituents which the clearing member has to provide to the clearing corporation on behalf of the constituents.
- Clear and settle deals on behalf of the constituents only on the receipt of such margin as the relevant authority may decide from time to time, unless the constituents already have equivalent credit with the clearing member. The member may collect higher margins from constituents, as he deems fit.

Clearing/Trading members are required to collect margins (Initial margin, extreme loss margin, calendar spread margin or any other margins) as prescribed by MCX-SX CCL / Regulator from their trading members/ client on an upfront basis.

The Clearing/Trading members as and when required by the Clearing Corporation may inform the Clearing Corporation, specifically the amount deposited as margin on behalf of their constituents. The Clearing/Trading Member may not allow the utilization of margin monies paid by one client to the margin money dues of his own account or of other clients.

Margin can be collected by the trading / clearing members from their clients in the form of:

- Cash deposits
- Bank guarantees
- Fixed deposit receipts
- Approved Securities, G-Secs, T-Bills, Units of Mutual Funds and ETFs in demat form.

The margin so collected from the clients is to be reported to the MCX-SX CCL on a daily basis.

Maintenance of records showing collection of margin

Clearing/trading members shall have all the relevant books of accounts showing margin collected from clients and the same shall be in sync with margin reported to the Exchange.

- Cash deposits – received from clients are to be deposited in a separate bank account designated as “constituent” bank account.
- Bank Guarantees and Fixed Deposits – in case a member is accepting margin in these forms, he needs to keep proper registers for BG and FD
- Approved Securities - Clearing/trading members who collect margin in the form of approved securities are required to keep the constituents' securities in a separate

demat account (constituents beneficiary account). SEBI vide circular no. MRD/DoP/SE/Cir-11/2008 dated April 17, 2008 has reiterated that members have to maintain proper records of client collateral and not to misuse client collateral. Further, Brokers should also have adequate systems and procedures in place to ensure that client collateral is not used for any purposes other than meeting the respective client's margin requirements / pay-ins and those members should also maintain records to ensure proper audit trail of use of client collateral.

The aforesaid circular, in order to reiterate the need for members to maintain proper records of client collateral and to prevent misuse of client collateral, further prescribes that:

- Brokers should have adequate systems and procedures in place to ensure that client collateral is not used for any purposes other than meeting the respective client's margin requirements / pay-ins. Brokers should also maintain records to ensure proper audit trail of use of client collateral.
- Brokers should further be able to produce the aforesaid records during inspection. The records should include details of :-
 - Receipt of collateral from client and acknowledgement issued to client on receipt of collateral
 - Client authorization for deposit of collateral with the exchange / clearing corporation / clearing house towards margin
 - Record of deposit of collateral with exchange / clearing corporation / clearing house
 - Record of return of collateral to client
 - Credit of corporate action benefits to clients
- The records should be periodically reconciled with the actual collateral deposited with the broker.
- Brokers should issue a daily statement of collateral utilization to clients which shall include, inter-alia, details of collateral deposited, collateral utilised and collateral status (available balance / due from client) with break up in terms of cash, Fixed Deposit Receipts (FDRs), Bank Guarantee and securities. In case of complaints against brokers related to misuse of collateral deposited by clients, exchanges should look into the allegations, conduct inspection of broker if required and based on its findings take necessary action.
- In case client collateral is found to be mis-utilised, the broker would attract appropriate deterrent penalty for violation of norms provided under Securities Contract Regulation Act, SEBI Act, SEBI Regulations and circulars, Exchange Byelaws, Rules, Regulations and Circulars.”

Client level margin reporting by Trading Members:

To facilitate the trading members, MCX-SX CCL has provided the structure of the margin file, detailing the client-wise margins required to be collected from the respective clients. The trading members will be able to download the same through the Extranet (FTP) directory after the end of the day (EOD) process of the Exchange.

The Extranet directory from where the trading member can download the margin file is <member-code> \DDMM- YYYY and the nomenclature used for the same is MARGIN_Memcode_YYYYMMDD.csv. Trading members are required to upload client-wise details of the amount collected towards margin as per the margin file provided through the Extranet as mentioned above.

Trading Member Level Margin Reporting by Clearing Members:

To facilitate the clearing members, MCX-SX CCL has provided the structure of the Margin file, detailing the trading member-wise margins required to be collected from the respective trading members. The clearing members will be able to download the same through the Extranet (FTP) directory after the end of the day (EOD) process of the Exchange. The Extranet directory from where the Clearing Member can download the said Margin file is <member-code> \DD-MM-YYYY and the nomenclature used for the same is MSC_YYYYMMDD.csv. Clearing members are required to upload trading member-wise details collection of margin as per the margin file provided through the Extranet as mentioned above.

All instances of non-reporting of margins by the clearing / trading members shall be treated as 100% short reporting of margins. The penalties, as specified by MCX-SX/ Clearing Corporation from time to time, shall be imposed on the short reporting of the margin amount.

Such upload by the Clearing / Trading members shall be made within two working days from the relevant trading day. Members shall ensure that they report the actual amount of margin collected from their constituents and available with them as on the date of trading in respect of each of their constituents. If the margin actually collected from a constituent is observed to be less than the margin required / reported as collected from the constituent, the difference shall be construed as wrongly reported amount and the penalties, as specified by MCX-SX/ Clearing Corporation from time to time, shall be imposed on such wrong reporting of the margin amount.

Change in the Clearing Bank

- In case a Clearing Member desires to shift his settlement account from one clearing bank to other clearing bank, he is required to inform MCX-SX CCL in writing.
- On receipt of the same, MCX-SX CCL shall process the application and convey its consent to the Clearing Member provided no dues are pending. On receipt of the consent from MCX-SX CCL, the Clearing Member shall submit the following documents to MCX-SX CCL:
 - No Objection Certificate (NOC) from the existing Clearing Bank

- Letter from the Clearing Member on his letter head specifying the shift of accounts to another clearing bank, the settlement account number and client account number, along with effective date
 - Letter from the new clearing bank confirming the settlement account number and the client account number of the Clearing Member.
- (MCX-SX CCL shall specify all the relevant formats from time to time)

On receipt of the said documents, MCX-SX CCL shall update its records and any subsequent funds pay-in / pay-out will take place through the new settlement account of the member. It is mandatory for all Clearing / Trading members to report details of such margins collected to MCX-SX CCL in accordance with the procedure and formats specified by MCX-SX CCL from time to time.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX Regulation no. 6.5	NA	Collection of margin from clients
2	MRD/DoP/SE/Cir-11/2008	17-Apr-08	Collateral management by members
3	MCX-SX/C&S/3/2008	04-Oct-08	Collection of margin and its valuation
4	MCX-SX/C&S/3A/2008	04-Oct-08	Penalties imposed on various violations
5	MCX-SX/C&S/7/2008	04-Oct-08	Collection of margin and reporting of the same the exchange
6	MCX-SX/INSP/34/2008	24-Nov08	form of margin to be collected and record keeping
7	MCX-SX/C&S/63/2009	16-Feb-09	Consolidated circular on clearing operations – providing information on – settlement procedures – clearing bank – liquid network and collateral deposits – margin deposits – guidelines / forms for deposit / withdrawal of collateral -
8	MCX-SX/T&S/6/2008	04-Oct-08	Position limits
9	MCX-SX/T&S/87/2009	24-Mar-09	Revised Position limits
10	MCX-SX/INSP/92/2009	30-Mar-09	Penalty Structure
11	SEBI/DNPD/Cir-52/2010	19-Jan-10	SEBI circular on Additional currency pairs
12	MCX-SX/SURV/279/2010	29-Jan-10	Additional currency pairs and their position limits
13	MCX-SX/INSP/424/2010	25-Aug-10	Additional Penalty Structure

CHAPTER – XIV

Office Management

A. Conduct of business of Members and procedures to be followed

- a) Each Member shall establish, maintain, and enforce procedures to supervise its business and to supervise the activities of its employees that are reasonably designed to achieve compliance with the MCX-SX Byelaws, Rules and Regulations and any notifications, directions, etc. issued there-under as well as the relevant statutory Acts. Such procedures to supervise its business and to supervise the activities of its employees shall be in compliance with the manual of supervisory procedure, if any, provided by the Exchange
- b) Members are required to maintain an internal record of the names of all persons who are designated as supervisory personnel and the dates for which such designation is or was effective. Such record shall be preserved by the Member for a period of not less than three years.
- c) Members shall specifically authorize in writing, persons who may be authorized to transact on behalf of the Member and to do such acts which Member may wish to delegate to such persons, and make available a copy of such power of attorney to the Exchange before such persons transact any business on the Exchange.
- d) Members are required to conduct a review, at least annually, of the business in which it engages, which shall be reasonably designed to assist in detecting and preventing violations of and achieving compliance with SEBI Act, 1992 and Regulations framed there-under, Securities Contracts (Regulation) Act, 1956 and Rules there-under and Exchange Bye Laws, Rules and Regulations.

B. Display of Name Board / Notice Board / SEBI Registration Certificate:

Members are required display Name Board in all their offices, including the branch offices. The Name Board is to be of permanent nature and placed in a prominently visible location.

Details to be included in name board in Main office

- 1. Name of the Trading Member
- 2. Address, Telephone No. of Main office
- 3. SEBI Registration Number
- 4. Name, Designation & Telephone No. of contact person in the Main office

Additional details to be included in name board in Branch offices

1. Address and Telephone No. of branch office
2. Name & Designation of the person in-charge of / managing the branch office

Members are also required display a copy of their SEBI Registration Certificate in all offices. The SEBI Registration Certificate is to be placed in a prominently visible location.

Further, members are required to display a notice board in reception area or prominently visible location of all offices, with the following information.

Points to be noted by investors

- Please deal only through a SEBI registered trading member and ensure to carry out due diligence before registering as a constituent of any trading member
- Please read carefully and then execute registration documents viz. Know Your Client form, Member-Constituent Agreement and Risk Disclosure Document, before starting dealing with trading member
- Insist on contract note of the trading member for all trades done by you, within 24 hours and bring any discrepancies to the notice of trading member immediately
- Please make payments by account payee cheque / DD in favour of trading member or funds transfer through banking channel and do not involve in cash dealings
- For further details on the rights and obligations of investors and other related issues, kindly contact the trading member or the Investor Service Centres of MCX Stock Exchange Limited

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX Regulation 4.2.1	NA	Conduct of business by members
2	MCX-SX/COMP/55/2009	27-Jan-09	Display of Name/Notice Board, SEBI Registration certificate – relevant formats

C. Proprietary trading:

Proprietary Trading through single / multiple locations:

Members desirous to undertake Proprietary Trading are required to apply to the Exchange for enabling user id(s) at their default location, for entering own account trades. In case pro trading facility is required in a user id in another/multiple location(s) the trading member is required to request the Exchange stating the reason for using the Pro-account at multiple locations and the Exchange may, on a case to case basis after due diligence, shall consider extending the facility of allowing use of 'Pro-Account' from more than one location. Further, the trading member needs to provide an undertaking in the prescribed format.

In case pro trading facility is required in a user id extended through CTCL:

- The trading member needs to provide an undertaking in the prescribed format.
- All such CTCL terminals facilitating PRO trading shall be in the same location as that of the user id

The formats of the application for pro account enablement and the undertaking are available in Exchange Circular No. MCX-SX/T&S/2/2008 dated October 4, 2008

Members are advised to execute proprietary trades by using “PRO” code only.

Disclosure to clients regarding proprietary trading:

Members are required to inform their clients if Pro-account trading is also done apart from client account trading. Members shall disclose the aforesaid information-

- To their existing clients within such period as specified by the Exchange;
- To their new clients upfront at the time of entering into Member- Client Agreement;
- To their clients before carrying out any Pro-account trading, in case they presently do not do Pro-account trading, but choose to do so at a later date.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX/COMP/53/2009	27-Jan-09	Proprietary trading disclosures to clients
2	MCX-SX Regulation No. 4.5.3 (k)	NA	Prior approval in case of proprietary trading through multiple locations
3	MCX-SX Regulation No. 4.4.6	NA	Proprietary trading disclosures to clients

D. Investor Grievance Handling

Exclusive email id for investor complaints

SEBI has advised all the members vide circular no. MRD/DoP/SE/Cir-22/06 dated December 18, 2006

- To designate an exclusive email id for grievance redress division / compliance officer, in which the investors would be able to register their complaints and also take necessary follow-up actions
- To display the email id and other relevant details prominently on their websites and in the various materials / pamphlets / advertisement campaigns initiated by them for creating investor awareness.

Members shall verify the designated email id on a routine basis for receipt of any complaints and take up the matter with the relevant clients immediately.

Further, Members are advised to print the exclusive email id created for investor complaints along with the email id created by the Exchange viz., investorcomplaints@mcx-sx.com for the same purpose, on the contract notes issued to their clients. In respect of physical contract notes, such ids are to be printed w.e.f.

December 01, 2009 and in respect of electronic contract notes issued with digital signature, these ids are to be included w.e.f. October 01, 2009.

Maintenance of complaint register

Member shall keep and preserve a record of all written complaints of the constituents showing the reference number of the complaint, date of receipt, code of the constituent, constituent's name, particulars of the complaints, action taken by the Trading Member, if the matter is referred to arbitration then the particulars thereof and record of resolution of the complaint by the member.

Members shall have adequate systems and procedures to address complaints and redress the same in a time bound manner.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX Regulation 15.1.16	NA	Maintenance of complaints register
2	MCX-SX/COMP/53/2009	27-Jan-09	Creation of email id
3	MCX-SX/INSP/177/2009	10-Sep-09	Printing of email ID on contract note
4	MCX-SX/ISC/175/2009 Annexure	8-Sep-09	Disclosure of investor complaints and arbitration on the Exchange website

E. Maintenance of internal records of people designated as supervisory personnel

The Member shall maintain internal records of names of people designated as supervisory personnel.

F. Review of business operations to achieve compliance

The Member shall review its business operations in order to detect and prevent violations of and to achieve compliance of, the Byelaws, Rules and Regulations of the Exchange.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX Regulation 4.2.1.b	NA	Maintenance of internal record of names of all persons who are designated as supervisory personnel.
2	MCX-SX Regulation 4.2.2	NA	Review of business operations to detect and prevent violations and to achieve compliance.

CHAPTER – XV

Clearing Member Operations

Clearing Member means a Member of MCX-SX Clearing Corporation Limited. A Clearing Member settles the trades executed on the exchange by Trading Members. There are two categories viz. Trading-cum-Clearing Members (TCM) and Professional Clearing Members (PCM).

TCMs may clear trades done on their proprietary account and / or trades done by their own clients, they may also clear trades of other Trading Members (including trading members' proprietary trades and trades of clients of trading members).

PCMs on the other hand are authorized to clear trades of Trading Members (trading members' proprietary trades and trades of clients of trading members).

Clearing members are responsible for all obligations including payment of margins and settlement of obligations arising out of trades executed in the Exchange, by them as trading members (if they are also trading members) and by those trading members for whom they have undertaken to act as clearing member.

Clearing Members are required to execute TM-CM agreement with the trading members in the format prescribed, collect requisite deposits and margin before starting the clearing operations for the trading members.

Both, TCM and PCM are also authorized to clear trades of clearing member's participants (CP). A Clearing Member's Participant is a constituent who may trade through a single or multiple trading members and settles such trades through a clearing member who agrees to clear and settle such trades, subject to approval by the Clearing Corporation of the Exchange.

CP shall execute an agreement with his clearing member in the format prescribed. The clearing member shall apply to the Clearing Corporation for allotment of CP code for its CP, along with a copy of the agreement. Upon receipt of CP code from the Clearing Corporation, the CP shall intimate the CP code to the trading members through whom he will trade on the exchange. (MCX-SX/C&S/48/2009 dated January 9, 2009).

When entering into transactions on behalf of a client, the Clearing Members shall ensure that they abide by the Code of Conduct and regulations of the Clearing Corporation.

In case, the clearing member accepts securities as margin from constituents, then it should have adequate systems and procedures in place to ensure that client collateral is not used for any purposes other than meeting the respective client's

margin requirement. Members are also required maintain records to ensure proper audit trail. Records maintained by the clearing members should include details of :

- Receipt of collateral from client and acknowledgement issued to client on receipt of collateral
- Client authorization for deposit of collateral with the exchange / clearing corporation / clearing house
- Record of deposit of collateral with the exchange / clearing corporation / clearing house
- Record of return of collateral to clients
- Record showing credit of corporate actions benefits to clients
- Member also needs to keep records in respect of interest received on securities of constituents, monies borrowed and loaned including monies received. (MCX-SX Regulation 15.1.4 (i))

No Clearing Member or person associated with a Clearing Member shall make improper use of clients' securities or funds. (MCX-SX/INSP/34/2008 dated November 24, 2008).

Clearing Members shall issue statement of accounts to its trading members/clearing member's participants. Clearing members are required to issue statement of accounts for settlements and margins to its constituents on a quarterly basis, within 30 days of the end of quarter. The statement should contain an error reporting clause.

Change in Clearing Member Affiliation:

Trading Members (TM) who intend to change their affiliation from a Clearing Member (CM) to another CM, have to follow the following procedure:

- Trading Member needs to send request for change in clearing member to the exchange
- The outgoing clearing member has to confirm the same by submitting a letter to the exchange mentioning the date till which it shall clear the trades for the trading member
- The incoming clearing member has to confirm the same by submitting an undertaking to the exchange mentioning the date from which it shall start clearing the trades for the trading member

Relevant formats for the same are provided in circular no. MCX-SX/MEM/41/2008, dated December 11, 2008.

Books of Accounts and Records to be maintained by the Clearing Members

1. Every Clearing Member of the Clearing Corporation shall maintain the following records relating to its business for a period of five years. In case of dispute, the relevant documents/records shall be maintained for a period of five years after the final settlement or adjudication of the dispute.
 - a. Statements of obligations received from the Clearing Corporation.
 - b. Record of all statements received from the settling agencies and record of all correspondence with them.
 - c. Copies of all instructions obtained in writing from constituents.
 - d. Records in respect of monies borrowed and loaned including monies received.
 - e. Records in respect of clearing charges collected separately from constituents.
 - f. A register of transactions containing following details :
 - All sales / purchase transactions entered into
 - The parties to such transactions
 - Date and time of execution of such transactions
 - The price at which the derivatives contracts were bought/ sold
 - Name of constituent
 - Clearing charges if any, charged by the clearing member.
2. Clearing Members are required to keep records and books of accounts distinguishing client information and own information including details of transactions, margins and settlement information.
3. In case enforcement agencies like CBI, Police, Crime Branch etc. have collected copies of the various records/documents during the course of their investigation, the originals of such documents maintained either in physical or in electronic form or in both would be required by such enforcement agencies during trial of the case also.
4. Clearing Member is required to hold client money / pay client money in a bank account designated as "Client Account". Clearing Member may keep one consolidated clients account for all the clients or accounts in the name of each client, as he thinks fit; provided that when a Clearing Member receives a cheque or draft representing in part money belonging to the client and in part money due to the Clearing Member, he shall pay the whole of such cheque or draft into the clients account and effect subsequent transfer in respect of own money.
 - a) **Moneys to Be Paid Into Clients Account –**

No money shall be paid into clients account other than:

 - i) Such moneys belonging to the Clearing Member as may be necessary for the purpose of opening or maintaining the account;
 - ii) Money held or received on account of clients

- iii) Money for replacement of any sum which may by mistake or accident have been drawn from the account
- iv) A cheque or draft received by the Clearing Member representing in part money belonging to the client and in part money due to the Clearing Member.

b) Moneys to be withdrawn from Clients Account –

No money shall be drawn from clients account other than:

- i) Money properly required for payment to or on behalf of clients for or towards payment of a debt due to the Clearing Member from clients or money drawn on client's authority, or money in respect of which there is a liability of clients to the Clearing Member, provided that money so drawn shall not in any case exceed the total of the money so held for the time being for each such client;
- ii) Such money belonging to the Clearing Member as may have been paid into the client account as mentioned above.
- iii) Money which may by mistake or accident have been paid into such account.

5. Clearing Members are required to keep books of accounts showing and distinguishing, in connection with his business as a Clearing Member:
- (a) The moneys received from or on account of and moneys paid to or on account of each of his clients
 - (b) The moneys received and paid on clearing member's own account.

6. Record Maintenance

- Clearing Members are required to permanently maintain copies of agreements executed with each of their constituents in accordance with the Clearing Corporation requirements.
- Clearing Members are required to permanently maintain copies of agreements executed with each of the settling agencies or banks.
- Clearing Members are required to maintain originals of all communications received and copies of all communications sent (including inter-office memo and communications) relating to their business as such.
- Clearing Members are required to maintain all guarantees of accounts and all powers of attorney and other evidence of the granting of any discretionary authority given in respect of any account and copies of resolutions empowering an agent to act on their behalf.
- Clearing Members are required to maintain all written agreements (or copies thereof) entered into by them relating to their business as such, including agreements with respect to any account.

- Clearing Members are required to preserve for a period of not less than five years after the closing of any constituent's account any records which relate to the terms and conditions with respect to the opening and maintenance of such account, date of entering into agreement with the constituent, date of modification thereof, date of termination and representatives of such constituent who signed in each case. In case of dispute, the relevant documents / records shall be maintained for a period of five years after the final settlement or adjudication of the dispute.
- Clearing Members are required to intimate to the Clearing Corporation the place where these records are kept and available for audit / inspection.
- The above requirements relating to maintenance of records shall apply not only to records of the Clearing Member's principal office but also to those of any branch office and to any nominee company owned or controlled by a Clearing Member for the purpose of conducting the business of the Clearing Member.
- Clearing Members are required to keep and preserve a record of all written complaints of constituents showing the reference number of constituent, date, constituent's name, particulars of the complaints, action taken by the clearing member and if the matter is referred to arbitration to the Clearing Corporation then the particulars thereof.
- Clearing Members are required to maintain details of securities which are the property of a Clearing Member showing with whom they are deposited and if held otherwise than by the member, whether they have been lodged as collateral security for loans or advances.
- Apart from the above, Clearing Members are required to preserve the originals of the documents both in electronic and physical form, copies of which have been taken by CBI, Police or any other enforcement agency during the course of their investigation till the trial is completed.

Annual Accounts and Audit

Clearing Members are required to prepare annual accounts for each financial year ending on 31st March or such other date as advised by the Clearing Corporation.

The Assets and Liabilities of the Clearing Member's business shall be brought into account in the balance sheet at such amounts and shall be classified and described therein in such manner that the balance sheet gives a true and fair view of the state of affairs of such business as at the date to which it is made up.

Clearing Members are required to furnish to the Clearing Corporation, their audited financial statement and such report shall be furnished not later than six months after

the end of the clearing member's financial year, provided that when the Clearing Corporation is satisfied that circumstances warrant an extension of time is necessary to furnish such report, it may grant an extension of such time as it may deem fit.

Clearing Number and Clearing Forms

Clearing Member shall be allotted a Clearing Number which must appear on all forms used by the clearing member connected with the operation of the Clearing Corporation.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MCX-SX-CCL Regulation 11	NA	Code of conduct for Clearing Member
2	MCX-SX-CCL Regulation 12	NA	Conduct of business by Clearing Member
3	MCX-SX/INSP/34/2009	24-Nov-08	Statement of accounts for settlements and margins – collection / record keeping,
4	MCX-SX/MEM/41/2008	11-Dec-08	Change in affiliation of clearing member
5	MCX-SX/C&S/48/2009	09-Jan-09	Procedures and formats for appointment of clearing member by clearing member's participant, application of CP code to the exchange, change of clearing member etc.
6	MCX-SX/C&S/63/2009	19-Feb-09	Consolidated circular issued by Clearing Corporation
7	MCX-SX CCL Regulation 9	NA	Maintenance of Books of Accounts
8	MCX-SX CCL Regulation 13.2	NA	Issuance of clearing id
9	MRD/DoP/SE/Cir- 21 /2009	09-Dec-09	Preservation of records

CHAPTER – XVI

Internal Audit for Members

All the active Trading Members / Clearing Members are required to carry out complete internal audit on a half yearly basis for the period October 1, 2009 to March 31, 2010 onwards by independent qualified Chartered Accountants, Company Secretaries or Cost and Management accountants who are in practice and who do not have any conflict of interest. Active member means any trading member / clearing member, who has traded / cleared at least one trade during the relevant half year period.

Upon completion of the audit, a report is to be submitted by the auditor to the member, which shall contain a certificate of the auditor in the form prescribed and the findings made during the audit. The scope of the audit and some of the important features to be addressed in the report are specified in Exchange circular no. MCX-SX/INSP/IA-0910(2)/346/2010 dated May 3, 2010.

The management of every Member is required to discuss the report (in the Board Meeting, in respect of a corporate member) internally and submit point-wise comment and status of compliance along with the audit report to the Exchange within three months from the end of the relevant half year. The Exchange shall scrutinize the same and decide on the action to be taken.

Non-submission of the internal audit report as per the Exchange's guidelines shall be treated as non-compliance with the requirement to submit such report and disciplinary action will be initiated against the concerned members. Further, if the report is found to be incomplete / inadequate in the opinion of the Exchange, it will be construed as non-submission of the report. Where, in the opinion of the Exchange, the quality of the reporting is not satisfactory or the audit is not carried out in accordance with the Exchange's guidelines, the Exchange reserves the right to advise the concerned members to change the auditors and submit revised reports.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	MIRSD/ DPSIII/ Cir-26/ 08	22-Aug-08	SEBI circular on Internal audit
2	MCX-SX/LEG/23/2008	24-Oct-08	Internal audit by members
3	SEBI/MIRSD/Master Cir-04/2010	17-Mar-10	Internal audit by members
4	MCX-SX/INSP/IA-0910(2)/346/2010	03-May-10	Internal audit by members for the period 01-Oct-09 to 31-Mar-10 along with scope

CHAPTER – XVII

Miscellaneous

Appointment of Compliance Officer

Members are required to appoint a Compliance Officer who will be responsible for monitoring the compliance of the member with Acts, Rules, Regulations, Bye-laws, notifications, circulars, guidelines, instructions, etc., of Central Government, SEBI, Exchange, Clearing Corporation and for redressing investors' grievances.

The details of the Compliance officer are to be intimated to SEBI / Exchange. The Compliance Officer is required to independently report to SEBI in case of any non-compliance observed by him/her. In case of change of Compliance officer due to resignation / transfer, etc., the same needs to be intimated to SEBI / Exchange.

Reference:

Sr. no	Notice no. / Circular no. / Rules and Regulation / Byelaws	Date	Content
1	SEBI (Stock Brokers and Sub-Brokers) Regulation (Chapter IV Regulation 18A)	NA	Appointment of Compliance officer