
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all members of the Exchange

Circular No : NCDEX/COMPLIANCE-042/2024

Date : May 24, 2024

Subject : Internal Audit Report Checklist Categorisation for the half year ended on March 31, 2024

This is in continuation to Exchange circular no. NCDEX/COMPLIANCE-030/2024 dated April 23, 2024 on Submission of Internal Audit Report for the half year ended on March 31, 2024.

As per the aforesaid circular, the heads of compliance requirements as defined in Internal Audit Report (IAR) were categorised based on its impact and gravity into Low, Medium and High categories. The same has now been re-categorized and new category of 'Other than High, Medium and Low' is added (refer table below). Detailed categorization of each point of Internal Audit checklist is attached as Annexure A:

Code	Category
4	High
3	Medium
2	Low
1	Other than High, Medium and Low

The quantum of penalty for such violations were decided as Rs.5,000/-, Rs. 10,000/- and Rs.25,000/-, for Low, Medium and High respectively for non-compliances / violations observed in Internal Audit Reports submitted by Members on half yearly basis.

Escalated penalty @ 50% of applicable penalty for respective heads shall apply in case of repeated violations observed in the IAR submitted. To identify the repeated instances, violations shall be compared with its previous / last submission. The highest penalty applicable for the violations observed under the same head will be levied. The total penalty for all the violations observed in IAR shall be the sum of the highest penalties levied under each head.

Members and Auditors are advised to take note of the same and comply.

For and on behalf of
National Commodity & Derivatives Exchange Limited

Pranesh Shetty
Vice President – Inspection & Enforcement

For further information/clarifications, please contact

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Details of Categorisation for Internal Audit Report (IAR) March 2024

Sr No	Area of Verification	Revised Risk Categorisation
A	Client registration documentation / Anti Money Laundering compliance	
A1	All relevant Client Registration Documents executed with clients in compliance with SEBI circulars and supporting collected from the clients are available and are easily retrievable and no material discrepancies were observed (viz. Photograph, signature, Pan Card details, Proof of Address/Identity Not provided)	3
A2	Correct and updated KYC details/ information of the clients are uploaded in the UCC database of the Exchange as per KYC details and the same is matching with KRA/ C-KYC database.	2
A3	No clauses are included in any of the documents executed with the clients- a) which dilutes responsibility of member or b) which is in conflict with any of the clauses in mandatory documents, Rules, Bye-laws, Regulations, Notices, Guidelines & Circulars issued by SEBI & Exchanges or c) which is not in the interest of the Investor. d) No blanket confirmation / authorisation obtained from clients	2
A4	All the mandatory clauses/documents and Annexures such as KYC, details relating to trading account , rights and Obligation, Dos and Don'ts , RDD and Tariff sheet and contact details of senior officials and Investor Grievance Cell of the member as stipulated by SEBI/Exchanges have been included in the mandatory section of the Account opening document executed with the clients and no material details were omitted.	3
A5	In-person verification is done by Employee or Authorised Person only and the date of verification, name, designation and signature of the official who has done in-person verification and the Rubber Stamp is incorporated in the client registration form	1
A6	Any changes (including address, bank account or demat account) in the information in the account opening form as provided at the time of account opening has been notified by the client to the member in writing and member has carried out necessary due diligence to verify correctness of any such changes and updated those changes in relevant records in their back office, UCC Database of the Exchange, KRA and CKYCR.	1
A7	Trading member has taken documentary evidence in support of financial information provided by the client for derivatives segment at the time of registration	1
A8	Client details including financial details are reviewed and updated periodically / at least once in a financial year in compliance with Exchange's circulars.	1
A9	Trading code and the unique client code allotted to a client and the e-mail furnished by the client for the purpose of receiving ECN and other details, are communicated by the trading member through the client account opening form or otherwise in writing to the client.	2

Sr No	Area of Verification	Revised Risk Categorisation
A10	Member has identified the beneficial owners of the client (non-individuals) and has taken reasonable measures to verify the identity of such person as per SEBI Circular Nos. CIR/MIRSD/2/2013 dated January 24, 2013 and SEBI/HO/MIRSD/SECCFATF/P/CIR/2023/169 dated October 12, 2023	3
A11	Member has a process to identify the authority of the person who is placing orders on behalf of the client.	2
A12	Risk profiling/categorization of the clients has been done as per the written down policy of the member as per the PMLA master circular.	1
A13	Member has adopted sufficient due diligence process for clients according to their risk profile as per the PMLA master circular.	1
A14	Member is having a clearly defined policy for acceptance of clients and has ensured that an account is not opened where the member is unable to apply appropriate client due diligence measures/KYC Policies. Trading member has implemented clients identification procedures & programs at various stages.	1
A15	Member has identified clients of special category (CSC) as per the PMLA master circular.	1
A16	The Client has opted and signed against stock exchange as well as market segment where he intends to trade/ traded during the year.	1
A17	Copies of complete set of client registration documents executed by the clients including POA/ email id provided by clients for receiving ECN was delivered to the clients free of charge and within 7 days from the date of execution of documents by the clients	2
A18	Authorizations from the client sought in non-mandatory document are separate & do have client's specific consent.	1
A19	The member has correctly uploaded & updated all UCC details including E mail ID and the Mobile number of the clients in the UCC database as per the details given by the client in the client registration documents.	3
A20	The member has collected correct PAN number and verified the authenticity of such PAN issued by the Income Tax (IT) Department, for all their clients and uploaded same in UCC Database of the Exchange.	4
A21	The member has correctly uploaded and updated the same E mail ID & the Mobile number of the client in the Exchange UCC records and in the Member's back office records and there are no variations. Member has periodically reconciled their backoffice records with the Exchange UCC records to avoid mismatch in the UCC of their clients and ensure that there are no variations.	3
A22	Member has complied with the requirement of uploading the KYC information with the SEBI registered KRAs for all the clients on a continuous basis within the prescribed time limit as per SEBI circular MIRSD/Cir-26/2011 dated December 23, 2011 and MIRSD/Cir-5/2012 dated April 13, 2013 and complied with the provisions of the Circular and no other procedural lapses were observed.	2
A23	Member has downloaded KYC information from KRA system for new clients who are already registered with KRA	2
A24	Member has uploaded the KYC data with CKYCR in respect of all accounts (except FPIs) opened during the Audit period.	2

Sr No	Area of Verification	Revised Risk Categorisation
A25	Member has uploaded the KYC records to CKYCR when the updated KYC information is obtained / received from the client in case of Legal Entity's accounts (except FPIs) opened prior to April 1, 2021	2
A26	Member has uploaded the KYC data with CKYCR in respect of all existing individual accounts (i.e. accounts opened prior to the Audit period). Further, member has uploaded the KYC records with CKYCR pertaining to accounts of individuals opened prior to August 01, 2016, as and when updated KYC information is obtained / received from the client.	2
A27	Trading Member has prominently displayed on account opening kits, advertisement, publication, notice board and display board,portal website (if any) the following details- i) name of the member as registered with SEBI, ii) its own logo, if any, iii) its registration number, iv) its complete address with telephone numbers.	2
A28	Member has made available the documents relating to rights & obligations, uniform risk disclosure document, do's & don't to the clients either in electronic or physical mode as per the preference of the client and maintained acknowledgment in writing / appropriate logs of delivery for the same.	2
A29	Members have displayed the documents relating to rights & obligations, uniform risk disclosure document, do's & don't in vernacular languages on their own website (if any) and copy of the same is provided to clients on request.	1
A30	Member has not uploaded same E mail ID and Mobile numbers to multiple clients except for family as defined by SEBI circular CIR/ MIRSD/ 15/ 2011 dated August 02, 2011.	3
A31	For client registered through online KYC process, member has adhered to all applicable guidelines which facilitate online KYC in accordance with SEBI Circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/73 dated April 24,2020	1
A32	Member has mapped client code with back office code	3
A33	Member has included procedure for filing of complaints on SCORES and benefits of the same in the welcome kit given to investors at the time of registration.	1
A34	Member has verified their existing backoffice records with the MNRL List published on TRAI Website and in case the mobile number of their existing clients is appearing in the MNRL (Mobile Number Revocation list) List, member has updated correct mobile number in their back office records as well as in UCC database of the Exchange	1
A35	Members are required to verify, update and ensure that correct permanent address details of the clients are uploaded in UCC database of the Exchange	3
A36	Member has complied with SEBI Circular CIR/MIRSD/2/2015 dated August 26, 2015 as per which "foreign financial institutions in India will be required to report tax information about US account holders / taxpayers directly to the Indian government which will, in turn, relay that information to the US Internal Revenue Service (IRS) and Guidance note on implementation of reporting requirements under rules 114F to 114h of the Income-Tax Rules, 1962 for implementation of FATCA guidelines.	1
A37	Member has collected client identification documents as prescribed by Exchange/SEBI.	1

Sr No	Area of Verification	Revised Risk Categorisation
A38	In case, in-person verification of non-resident clients is not done, attestation of KYC documents is done by Notary Public, Court, Magistrate, Judge, Local Banker, Indian Embassy/ Consulate General in the country where the client resides.	NA
A39	KYC requirements as stipulated in respect of Foreign Portfolio Investors (FPIs) has been complied.	1
A40	Member has complied with the applicable regulatory requirements of SEBI Circular no. SEBI/HO/IMD/DF1/ CIR/P/2019/066 and relevant Exchange circulars regarding "Participation of Portfolio Managers in Commodity Derivatives Market in India"	1
A41	Member has complied with the applicable regulatory requirements of SEBI Circular no. SEBI/HO/IMD/DF2/ CIR/P/2019/65 and relevant Exchange circulars regarding "Participation of Mutual Funds in Commodity Derivatives Market in India"	1
A42	Member has obtained self-declaration from their Clients on commodity wise categorization as prescribed by SEBI Circular no. SEBI/HO/CDMRD/DNPMP/CIR/P/2019/08 dated January 04, 2019.	1
A43	Member has correctly uploaded commodity-wise categorization of clients on the Exchange platform based on self declaration obtained from clients.	1
A44	Member has sensitized their investors and created investor awareness on fraudsters that are collecting data of customers who are already into trading on Exchanges and sending them bulk messages on the pretext of providing investment tips and luring them to invest with them in their bogus firms by promising huge profits. AND Member has taken necessary steps to safeguard data of the customers / investors registered with him and/or has not shared or revealed such data to unauthorized persons.	1
A45	Member has made available the facility for online closure of trading accounts and informed their clients regarding the availability of facility for online closure of trading accounts and its guidelines through emails, SMS, weekly / fortnightly /monthly newsletters etc., if applicable	1
A46	Member has ensured that clients whose KYC records are not found to be valid by KRA after the validation process are allowed to transact in securities market only after their KYC is validated.	4
A47	Trading Member has maintained a website and URL of the same is reported to the exchange. Further, a declaration for maintenance of Website and any modification in the URL shall be reported to the Exchange within 3 days.	2

Sr No	Area of Verification	Revised Risk Categorisation
A48	<p>Trading Member has displayed the following details on its website -</p> <ol style="list-style-type: none"> 1) Set of standard documents/ policies for information 2) Name of the member as registered with SEBI, its own logo, if any, its registration number, and its complete address with telephone numbers. 3) "Filing Complaints on SCORES- Easy & quick <ol style="list-style-type: none"> a. Register on SCORES portal b. Mandatory details for filing complaints on SCORES: <ol style="list-style-type: none"> i. Name,PAN,Address,Mobile Number, Email ID c. Benefits: <ol style="list-style-type: none"> i. Effective Communication ii. Speedy redressal of the grievances" 4)Following message at a prominent place on the homepage of their website (if any) . "Attention Investors <ol style="list-style-type: none"> 1. Stock Brokers can accept securities as margin from clients only by way of pledge in the depository system w.e.f. September 01, 2020. 2. Update your email id and mobile number with your stock broker / depository participant and receive OTP directly from depository on your email id and/or mobile number to create pledge. 3. Check your securities / MF / bonds in the consolidated account statement issued by NSDL/CDSL every month. Issued in the interest of Investors" 5) Data on complaints received against them or against issues dealt by them and redressal thereof, latest by 7th of succeeding month as per the format prescribed by SEBI vide Circular No. SEBI/HO/MIRSD/DOP/P/CIR/2021/676 dated December 02, 2021 	2
A49	<p>Member having website have displayed following message on their website:-</p> <ol style="list-style-type: none"> 1. Message on their websites informing their clients to update their Email IDs & Mobile numbers with the member. 2. Link to voting URLs on voting on motions moved by Listed Companies, which will redirect the investor to the webpage of the respective Depository who in turn will enable access to the e-voting portals of various ESPs 3.Risk Disclosure requirement 	NA
A50	<p>Trading Member has registered their new clients on all the active stock Exchanges after obtaining the trading preference in the prescribed format for the clients registered on or after August 01, 2023</p>	NA
A51	<p>Trading Member has obtained express consent and/or explicit confirmation from the clients for the trading preferences in the Equity Derivatives / Currency Derivatives / Commodities Derivatives Segments by providing an option to the clients to only select / opt in at the time of onboarding of the client.</p>	NA
A52	<p>Trading Member has complied with the provisions of SEBI Circular No. SEBI/HO/OIAE_IAD-1/P/CIR/2023/0000000163 dated October 3, 2023 w.r.t verification of the death certificate, updation of records in KRA system, intimation of transmission of assets of deceased investor and other obligations pertaining to reporting of demise of an investor.</p>	1
B	<p>Order management and risk management systems</p>	
B1	<p>Trading member has well documented risk management policy including policy on Margin collection from clients/ Trading members.</p>	1

Sr No	Area of Verification	Revised Risk Categorisation
B2	Trading member has not undertaken or was not party to or has not facilitated any fund based activity to fund any secondary market transactions or margin requirements in respect of transactions executed by the trading members on behalf of their clients through financier including any associate, related or third party entities. Trading Member has adhered to the guidelines laid down in relevant circulars on financing of securities transactions.	1
B3	Checks are in place to ensure that no unauthorized orders are executed from any of the terminals.	3
B4	All applicable margins are collected from respective clients in the prescribed form of funds, fixed deposit receipts, bank guarantees and approved/ liquid securities and approved commodities with appropriate haircut.	1
B5	Proper systems are in place to ensure timely collection for pay-in from the respective client as per settlement schedule.	3
B6	Trading member has not outsourced their core business activities and compliance functions and adhered to the provisions of SEBI circular CIR/ MIRSD/ 24/ 2011 dated 15th Dec 2011.	2
B7	Member has not passed penalty to clients on account of short/non-collection of upfront margins	4
B8	If the Member has passed on penalty for short reporting of margins other than "upfront margins", the same is on actual basis & has provided relevant supporting documents to the client.	4
B9	Member has drafted and implemented surveillance policy as per SEBI/Exchange circulars Further Policy should cover: i. Receipt of Alerts from Exchange/ generated at member's end. ii. Time frame for disposal of alerts and if there is any delay in disposal, reason for the same shall be documented. iii. Suspicious/ Manipulative activity identification and reporting process iv. Record Maintenance	1
B10	Member has executed trades of clients only after keeping evidence of the client placing such order and maintained the record of the same in the manner specified by SEBI from time to time	3
B11	Member has undertaken fresh documentation, due diligence and IPV where a client is reactivated after a period of 1 year of being flagged as inactive except where client has undertaken transaction through the Member with respect to IPO / Mutual Fund subscription and DP operations (if the Member is a DP) during this period. In case a client is reactivated before a period of 1 year of being flagged as inactive, Member has ensured that the basic details of such client like Address, Mobile number, Email ID, Bank/DP account are updated in its records as well in the UCC records of the Exchange and necessary documents has been collected in case of any changes.	1
B12	Member has an efficient system for collecting and reporting client margin collection to the Exchange / clearing corporation as per the Exchange / clearing corporation / SEBI requirements including initial, peak, other margins, MTM.	4
B13	Member has reported margin correctly and in case of false/incorrect reporting give instancewise complete details in an annexure and summary in remarks column	4
B14	Proper monitoring mechanism is in place to review the client MTM losses incurred and recovery of the same	4

Sr No	Area of Verification	Revised Risk Categorisation
B15	Member has framed a 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 and has also displayed the same on its website, (if any) in accordance with the guidelines issued by the Exchange.	1
B16	Member has identified all inactive client accounts and marked / flagged as Inactive in UCC database of the Exchange.	1
B17	Quarterly MIS has been placed upto the Board (in case of Corporate Trading Member) , Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) on the number of alerts pending at the beginning of the quarter, generated during the quarter , disposed off during the quarter and pending at the end of quarter along with reasons for pendency and appropriate action taken and Board is apprised of any exception noticed during the disposal of alerts as per the Exchange Circulars.	1
B18	Member has taken indemnity insurance policy.	1
B19	Member has mandatorily used telephone recording system to record the order instructions received from clients through telephone	3
B20	Member has not executed trades which do not appear to be genuine and they have appropriate internal system and control to ensure that Abnormal / Non-genuine orders/trades are not entered at unrealistic price / executed from members trading terminals	4
B21	Member has adopted/maintained policy regarding pre-funded instrument as per regulatory requirements	1
B22	Member has adopted/maintained policy for assessment of activities outsourced as per regulatory requirements.	1
B23	Trading member has implemented proper internal code of conduct and adequate internal controls to ensure that proper checks and balances are in place with respect to SEBI Circular Cir/ ISD/ 1/ 2011, dated March 23, 2011 and Cir/ ISD/ 2/ 2011 dated March 24, 2011 on the subject 'Unauthenticated news circulated by SEBI registered market intermediaries through various modes of communication.	NA
B24	Member has implemented appropriate checks for value and / or quantity based on the respective risk profile of their clients as per the provisions of SEBI Circular CIR/ MRD/ DP/ 34/ 2012 dated December 13, 2012.	NA
B25	The member has put-in place a mechanism to limit the cumulative value of all unexecuted orders placed from their terminals to below a threshold limit set by them as per the provisions of SEBI Circular CIR/ MRD/ DP/ 34/ 2012 dated December 13, 2012.	NA
B26	Member has taken adequate documentary evidences as specified in SEBI circular CIR/ MRD/DP/ 20/ 2014 dated June 20, 2014, in case of participants taking positions in CD segment in excess of the applicable position limits based on underlying exposure specified in the said circular.	NA

Sr No	Area of Verification	Revised Risk Categorisation
B27	Trading Member has adhered to the guidelines laid down by Exchanges while offering client incentives/referral schemes. Also, Trading Member has framed an internal policy w.r.t. quantum/maximum limit on the incentive to be provided to the referring person in compliance with guidelines laid down in the applicable circulars. Such policy is duly approved by its Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) as the case may be. Trading Member has taken adequate steps to review and monitor the adherence to the said policy on a regular basis, at such intervals not later than one year.	NA
B28	Member has made available the mechanism for physical settlement in stock derivatives to all their clients who wish to avail of the said facility without having any default option of mandatory/automated squaring off the positions in compliance to Exchange Circulars.	NA
B29	Member has transactional alerts facility with respect to Exchange's circulars.	1
B30	Trading member has established groups / associations amongst clients to identify multiple accounts / common account / group of clients as per relevant Exchange's circular	1
B31	Trading member has profiled their clients and categorised the clients under one of the category namely Commercial participant (value chain participant / exporter / importer, hedger, etc) or Non - commercial participant (financial participant / trader / arbitrager, etc). as per relevant Exchange's Circular. Further, member has monitored any sudden change in the trading pattern of the client which is not in line with the profile of client. Also, Member has kept a watch on the trading behaviour of their clients and monitored the same in view of their financial soundness/income/net-worth and business background as per relevant Exchange's circular.	1
B32	Trading member has a process of analysing the trading activity of the client(s) / group of clients(s) or commodity identified based on transactional alerts and wherever adverse observations are recorded, member has reported all such instances to the Exchange within 45 days of alert generation or extended time period sought from the Exchange, wherever required. Auditor shall verify the alerts generated during the audit period and provide their observations	1
B33	Member has submitted the status of the alerts forwarded to them on a quarterly basis to the Exchange in the prescribed format within 15 days from the last trading day of the respective quarter as per Exchange's circular.	1
B34	Member has conducted periodic analysis of trading behaviour of clients who appear repeatedly in the transactional alerts and/or have been repeatedly found to be breaching the norms prescribed by SEBI/Exchange. Further, Member has monitored any sudden trading activity in dormant account and informed such abnormality to the Exchange as per Exchange's circular.	1
B35	Member is not involved in unauthorized or illegal trading activities / fictitious transactions or unfair trade practice including Circular Trading, cross deals, price rigging, price manipulation and other market Abuses.	4
B36	In case member has passed on penalty of short collection of upfront margin to clients after October 14, 2021, then member has refunded the said collected penalty to clients.	1

Sr No	Area of Verification	Revised Risk Categorisation
B37	Member has not directly/indirectly referred to any past or expected future return/performance of an algorithm trading services/strategies in any form of advertisements/business communication on publicly accessible platforms such as social media/websites/digital & print media etc. and is not associated with any platform providing such reference, and has adhered to the guidelines issued vide SEBI circular SEBI/HO/MIRSD/DOP/P/CIR/2022/117 dated September 02, 2022	3
B38	Trading Member has conducted proper due diligence/verification before registering/accepting the clients seeking exemption of PAN including investors residing in the state of Sikkim.	1
B39	Member has done additional due diligence and maintained documents/records for all existing and new clients, by capturing the details of devices (Computer/ Tablet/Mobile including Executable Applications, Browser based Apps, Mobile Apps) used to place/modify/cancel orders by the clients based out of Sikkim to verify if the orders are placed from 'Sikkim'	NA
B40	Trading member has displayed "Risk Disclosure" on the login page of trading account of client if client is registered in the F&O segment.	NA
C	Contract notes, Client margin details and Statement of accounts	
C1	Member has issued contract notes to clients	3
C2	Contract notes are sent in the prescribed format.	1
C3	Contract notes are sent within 24 hours of the close of trading hours when the trade is executed and Proof of delivery / dispatch/ log for dispatch of Contract Notes is maintained.	2
C4	Trading member has issued contract notes only for trades done under the rules, byelaws & regulations of the Exchange and not otherwise.	2
C5	All prescribed details including running serial number initiated at the start of every financial year, name and signature of authorized signatory, dealing office details and brokerage are contained in contract note.	2
C6	Daily Margin statement is issued to the respective clients with the details as specified and within the prescribed time limit. and Proof of delivery / dispatch/ log for dispatch is maintained.	1
C7	Member has complied with regulatory requirements related to Electronic contract notes (ECN) if the contract notes are sent electronically as mentioned below: 1. Whether digitally signed ECNs are in accordance with provisions of IT Act, 2000? 2. Whether ECN's sent to Email accounts created / provided by clients? 3. Whether authorization for receiving ECN given by the client (if any) is signed by client and not by POA (Power of Attorney) holder? 4. Whether log report generated by the system at the time of sending contract notes is maintained? 5. ECN displayed on website	2
C8	Trail of bounced mails is maintained and physical delivery is ensured in case of bounce mails for ECNs within stipulated time (24 hours).	3
C9	Member has complied with the Guidelines on Compliance Officers as issued by the Exchange further details regarding appointment of Compliance Officer and changes there in, if any, have been informed to the exchange	2

Sr No	Area of Verification	Revised Risk Categorisation
C10	Trading Member has prominently displayed on contract notes, statement of funds and securities, correspondences with the clients the following details- i) name of the member as registered with SEBI, ii) its own logo, if any, iii) its registration number, iv) its complete address with telephone numbers v) the name of the compliance officer, his telephone number and e-mail address.	2
C11	Trading member has not created / provided e-mail ids for clients.	2
C12	Member has collected physical letters from the clients who have requested for change in e-mail id. 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 & password.	3
C13	Member has issued Annual Global Statement to their clients within 30 days from the end of the financial year and contain details of all transactions executed by client in the financial year	1
C14	Member has sent complete 'Statement of Accounts' for funds, securities and commodities in respect of each of its clients on weekly basis as required by relevant Exchange circulars with error reporting clause and proof of delivery / dispatch log is maintained.	1
C15	Trading Member has registered themselves as Principal Entities with their respective Telecom Service Provider(s) (TSPs) and also registered their existing headers and content templates for specific header with respective Telecom Service Provider(s) (TSPs) in compliance with Exchange circulars	1
C16	There is no difference in trade rate as per TWS system / Trade File and the rate charged to clients in contract note.	4
C17	Member has not issued consolidated contract notes to the client (Single entry for multiple trades/orders)	1
C18	Member has maintained proper records in respect of brokerage (i.e. incomplete/ erroneous/ delay in entries)	2
C19	Member has maintained copies / duplicates of contract notes issued to clients in physical or electronic form.	2
C20	If member has made margin calls to the client and the client has failed to comply with these margin calls, then the contract note issued by Member for transactions owing to non-compliance of such margin calls bear a remark specifying the same. Further, member has maintained a verifiable record of having made such margin calls and that the clients have not complied with the same.	3
C21	In case facsimile signatures are used on physical contract notes, Member has maintained well-documented & approved policy regarding its use	NA
C22	Member has sent text of Regulation 19 & 20 of Securities Contracts (SECC) Regulations, 2018 to clients dealing with listed Stock Exchanges along with the contract notes.	NA
C23	Member has intimated the Exchange of any change in statutory auditor within 30 days from the date of such change in the Exchange prescribed format.	1

Sr No	Area of Verification	Revised Risk Categorisation
C24	Member has paid all applicable statutory dues including GST payable in adherence to The Central Goods And Services Tax Act, 2017 within timeline prescribed. Further, member has kept records w.r.t. payment of statutory dues.	1
C25	If member is issuing Electronic Contract Notes (ECN) through SMS/electronic instant messaging services then the member has complied with relevant guidelines issued by the Exchanges.	1
D	Dealing with clients' funds and securities and Commodities	
D1	Client's funds and securities & commodities are used only for the purpose of the respective client's transactions. If not, instances to be provided in remarks column.	4
D2	Member has not pledged clients' securities to the Banks/NBFCs for raising funds, even with authorization by client as the same would amount to fund based activity which is in contravention of Rule 8(1)(f) & 8(3)(f) of Securities Contracts (Regulation) Rules, 1957	4
D3	Client bank accounts are used for authorized purposes only. In case of any irregularity observed, mention the instances in remarks column.	4
D4	Member has not accepted cash from their clients/other entities either directly or by way of cash deposit to the bank account of member. No cash payments have been made to the clients/other entities	4
D5	In case where aggregate value of banker's cheque / demand draft / pay order is of Rs 50,000/- or more per client per day, then the same are accompanied with name of bank account holder and number of bank account debited, duly certified by issuing bank as per the provisions of SEBI Circular CIR/ MIRSD/ 03/ 2011, dated June 9, 2011.	3
D6	Member maintains audit trail of the funds received and systems are in place to ensure that the funds are received from their respective clients only.	3
D7	Receipts/payment of funds and receipt/delivery of securities/commodities are received/transferred from/to respective clients only and no third party payment/ receipts has been accepted / made on behalf of client	4
D8	Payment to clients are not made from proprietary bank accounts.	4
D9	In case of any transfer of funds between client account/ s & proprietary account/ s for legitimate purposes, Member has maintained a daily reconciliation statement clearly indicating the details of funds transferred.	1
D10	Client's funds / fully paid securities/commodities are transferred to respective clients within one working day of pay-out from Exchange in case of no running account authorization.	4
D11	The Delivery of securities to constituent is not made from Proprietary account.	1
D12	Excess Brokerage was not charged on trades executed on the Exchange.	2
D13	Member has charged Brokerage for Option Contracts only on the premium amount at which the Option Contract was bought or sold and not on the strike price of the Option Contract.	2
D14	Not more than one client code is allotted to a single client. (Except as permitted in the exchange's circular)	2
D15	Member's Bank books and bank statements for each bank account are reconciled and reconciliation statement for the same is prepared periodically and there are no long pending outstanding reconcilable items.	1

Sr No	Area of Verification	Revised Risk Categorisation
D16	Register of Securities/ commodities and Holding statement from depositories for each DP account and warehouse records are reconciled and reconciliation statement for the same is prepared periodically.	2
D17	Dividend and other corporate benefits received on behalf of clients is paid/ credited/ passed on to the respective clients account without any delay.	1
D18	Trading member has taken consent from the client regarding monthly / quarterly settlement in the running account authorisation.	3
D19	Trading member has settled funds of all clients on first Friday of the Quarter - Oct-Dec 23 and on first Friday / Saturday from the quarter Jan-Mar 2024 onwards. If the client has opted for Monthly settlement, running account settlement has been done on first Friday of the month (for Oct-Dec 2023) and first Friday / Saturday of the month from Jan 2024 onwards. If first Friday / Saturday is a trading holiday, then such settlement shall happen on the previous trading day.	2
D20	Member has returned funds to clients having credit balance and who have not done any transaction in the 30 calendar days since the last transaction.	2
D21	Member has sent an intimation including the details about the transfer of funds to clients by SMS & Email at the time of running account settlement of funds.	1
D22	Trading member has sent a statement of accounts containing an extract from client ledger for funds & securities along with a statement explaining the retention of funds/ securities, within five days from the date when the account is considered to be settled.	4
D23	Trading member has not done any inter-client adjustment or passed any journal entries for the purpose of client level quarterly/ monthly settlement.	4
D24	Member has transferred the funds to the respective clients while carrying on the actual settlement of client fund. Bank details for initiating electronic fund transfers has been obtained from new clients and also updated for existing clients and the settlement of funds is done only by way of electronic funds transfer viz., through National Electronic Funds Transfer (NEFT), Real Time Gross Settlement (RTGS), etc .Only in cases where electronic payment instructions have failed or have been rejected by the bank, then the stock broker has issued a physical payment instrument.	1
D25	The following statutory levies/ fee/ charges are not collected from clients in excess of actuals levied on the members. Such as- i) Securities Transaction Tax, ii) SEBI turnover fees, If Excess is collected, please give complete details	3
D26	Member has not levied Excess transaction charges to clients in the contract notes.	2
D27	The running account authorization taken by trading member from client(s) is dated and signed by such clients and not by POA (Power of Attorney) holder and contains a clause which explicitly allows a client to revoke the said running account authorization at any time and would continue until such revocation.	2
D28	Member has not transferred funds from client bank account / DSCNBA / USCNBA to any third party or any other non-client account	4
D29	Member has not transferred funds to its Group companies / Associates from client bank accounts / DSCNBA / USCNBA.	4
D30	Payment for own trades (PRO) are not made from client bank accounts / DSCNBA / USCNBA	2

Sr No	Area of Verification	Revised Risk Categorisation
D31	Member is not operating any assured returns schemes and mobilizing deposits from investors. If yes, please provide details.	2
D32	Member has not taken securities/ commodities from any client for purposes other than margin or meeting the client's obligation.	4
D33	Member has ensured that the funds available in the client / USCNBA / DSCNBA / settlement bank accounts and balances available with clearing Member and funds with Exchange / clearing corporation are not less than the funds payable to the client at all times.	4
D34	The stock broker has submitted the correct details to Exchange regarding Monitoring of Client assets under Enhanced Supervision framework as per SEBI circular SEBI/ HO/ MIRSD/ MIRSD2/ CIR/ P/ 2016/ 95 dated September 26, 2016 upto the week ended January 5, 2024.	4
D35	The stock broker has submitted the correct details in the Risk Based Supervision data submitted to the Exchange.	3
D36	Member has correctly reported to the Exchange the Securities holding balances for each of the DP account maintained by it. (Details of the difference between the actual data and the reported data should clearly be brought out)	1
D37	Trading member has closed all Client Securities accounts in compliance with relevant Exchange circulars.	4
D38	PAN recorded in the Register of Securities & the Holding statement submission should match with the UCC database of the Exchange	4
D39	Trading Member has opened a separate Client Bank and set aside the funds and securities of Inactive / untraceable clients in such accounts and TM has upstreamed the untraceable / unclaimed clients funds to CC.	3
D40	Member has correctly reported day-wise balance (as per the bank statement) of all bank accounts for all the calendar days of that week except Sunday within prescribed timelines (Upto the week ended October 28, 2023)	4
D41	Member has correctly uploaded data of Cash & Cash Equivalent balances on a weekly basis for all calendar days of the week except Sunday on stock exchange system within prescribed timelines.	4
D42	Member has closed all existing demat accounts tagged as Client Collateral and Client Margin Trading Securities accounts in compliance with relevant Exchange Circulars	4
D43	Member has accepted securities as margin obligation from clients only by way of margin pledge/repledge in the depository system by opening a separate demat account for accepting margin pledge which shall be tagged as "Client Securities Margin Pledge account". in accordance with SEBI circular no.SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25,2020.	1
D44	Member has maintained audit trail of UCC wise client funds transferred to / from such bank account and UCC wise / BO ID wise securities transferred to / from separate and single client collateral demat account (as the case may be) for inactive and untraceable clients	3

Sr No	Area of Verification	Revised Risk Categorisation
D45	<p>In case of bounce back of emails and non delivery of SMS, provide comments with reasons thereof after verification.</p> <p>Member has taken corrective steps for the instances where SMS and/or email is/are returned undelivered/bounced back including updating the details of mobile number and email address in the Exchange UCC database so as to avoid instances of non-delivery / non-communication in future</p>	2
D46	Auditor should verify the details of generation of alerts for misuse of client funds and give specific comments with reasons thereof.	3
D47	Auditor should verify whether the Member has correctly submitted the details of financial indicators and ratios for "Monitoring of Financial Strength of Stock Brokers" and give specific comments with reasons thereof. (Refer 5.1.1 and 5.1.2 as per SEBI CIRCULAR SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26,2016)	3
D48	Member has not levied any charges other than brokerage, exchange's transaction charges, applicable statutory and regulatory dues in the contract note as permitted and it's on actual basis and not in excess of actuals	3
D49	Funds settled through running account settlement is transferred to the respective client's bank account and members has not run any scheme to invest the actual settlement dues (Monthly / Quarterly) with the consent of the client / through POA in any scheme or investment product including mutual funds etc.	4
D50	Member has not funded its clients in contravention to the Exchange / SEBI requirements i.e. member has not granted further exposure to the clients when debit balances arise out of client's failure to pay the required amount and such debit balance has not continued beyond the fifth trading day, as reckoned from date of pay-in (Except in accordance with Margin Trading Guidelines)	4
D51	Members has cautioned and created awareness amongst their clients/investors to abstain them from dealing in any schemes of unauthorised collective investments/portfolio management, indicative/ guaranteed/fixed returns / payments etc. Further Member has also displayed the messages on their respective websites under a separate banner "Advisory for investors" as per Exchange circular.	1
D52	There is no delay in payment of funds / collaterals to clients beyond 3 working days from the date of receipt of request	4
D53	Member has put in place systems for dealing with conflict of interest as per SEBI circular CIR/ MIRSD/ 5/ 2013 dated August 27, 2013.	NA
D54	Member has levied delayed payment charges on client's net debit balances across all segments in accordance with the Exchange circulars	NA
D55	Incase member has Margin Trading Facility, the securities lying in 'Client Securities under Margin Funding Account' are not pledged with any other Bank/ NBFC in accordance with SEBI circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020	NA
D56	Member has correctly posted entries in client ledgers related to trade/margin obligations, receipts and payments from/to clients are commensurate to the trades executed in the Exchange platform, statutory/ regulatory levies as per applicable guidelines on actual basis, brokerage/other allowable charges as agreed by the clients in the tariff sheet, actual dividend and other corporate benefits.	NA

Sr No	Area of Verification	Revised Risk Categorisation
D57	Excess Client's securities provided as early pay-in (EPI) and released by the clearing corporation/clearing member on T Day are transferred to the respective beneficiary account of their clients on the Trade day (T Day) itself in compliance with relevant circulars	NA
D58	Securities received in payout against which payment has been made in full by the clients are not transferred to Client Unpaid Securities Account	NA
D59	Clients Commodities received as margin are utilised for respective clients only and not utilized for execution of proprietary trades or trades in the name of Directors/ Key Promoters/ shareholders/Other Clients	4
D60	Member has maintained records of rate at which brokerage is charged and clientwise brokerage earned during the audit period.	2
D61	Dealing with Foreign Portfolio Investors (FPIs) is in compliance with guidelines of SEBI and Exchange in this regard.	1
D62	Client funds received by the members in the client bank accounts is not invested in any Liquid Mutual Funds, Gilt Funds, Government Securities or any other liquid funds and not been considered for reporting under client asset for enhanced submission	4
D63	Funds of clients having credit balance has used for margin obligation of respective client only and not for obligation of any other clients / Proprietary trading	4
D64	Member has ensured that the securities available in the EPI/Pool/CUSPA are not less than the securities payable to the client at all times.	1
D65	Trading member has done correct reporting to the Exchange on the following requirement on Settlement of Running Account of Client's Funds lying with Trading Member 1. Summary of settlement of clients' funds within 2 Trading Days post settlement date 2.Submission of UCC wise settlement details within 10 Trading Days post settlement date	2
D66	Trading member has made early pay-in of funds to the clearing corporation where clients have made an early pay-in of funds.	NA
D67	Intimation has been sent to the clients by SMS and Email on the registered mobile number and email id upon successful early pay-in of funds	NA
D68	Trading Member has ensured that no Bank Guarantees has been created out of clients' funds. Also members (other than carrying out only proprietary trading) have submitted a certificate to the Stock Exchange by October 16, 2023, confirming the implementation of provisions of SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/061 dated April 25, 2023 duly certified by their Statutory Auditor.	4
D70	Member invoking client securities (under margin pledge) in case of default and only to the extent of debit balance of client.	1
D71	Trading Member has ensured that funds received from clients, whose running account has been settled, remain in the "Up Streaming Client Nodal Bank Account" and no such funds shall be used for settlement of running account of other clients.	3
D72	Trading Member has ensured that all the clients' clear credit balances are upstreamed to the clearing Corporation on EOD Basis	3

Sr No	Area of Verification	Revised Risk Categorisation
D73	<p>The following conditions are met if any FDRs has been created out of clients funds: -</p> <ul style="list-style-type: none"> i. The FDR shall be created only with banks which satisfy the CC's exposure norms as specified by CCs/SEBI from time to time. ii. FDRs created only from 'Up Streaming Client Nodal Bank Account (USCNBA)' and has been lien-marked to one of the Clearing Corporations at all times. iii. The tenor of FDRs created after July 01, 2023 are not more than one year and one day; and the FDRs is pre-terminable on demand. iv. The principal amount of the FDR is remained protected throughout the tenure, even after accounting for all possible pre-termination costs. v. Member has not availed any funded or non-funded banking facilities based on FDRs created out of clients' funds vi. Existing FDRs (created out of clients' funds and having tenor of more than one-year) created prior to June 30, 2023 shall be allowed to be grandfathered till maturity. 	1
D74	Trading Member has ensured that client funds have been invested only in such MFOS that deploy funds into risk-free government bond overnight repo markets and overnight Triparty Repo Dealing and Settlement (TREPS)	1
D75	Trading Member has maintained a dedicated demat account to as "Client Nodal MFOS Account" for subscription / redemption of MFOS units in case they are investing clients funds in MFOS	1
D76	Trading Member has ensured that any clear credit balance that could not be upstreamed to Clearing Corporations due to receipt of funds from clients beyond cut-off time has remained in UNSCBA and upstreamed to Clearing Corporation on the next day	3
D77	Trading member complied with the provisions of SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/187 dated December 12, 2023 with respect to bank guarantees	1
D78	Trading Member has complied with the provisions of SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 dated November 11, 2022 regarding "Handling of Clients' Securities by Trading Members(TM)/Clearing Members(CM)"	NA
D79	Member has correctly reported the data towards "Segregation and Monitoring of Collateral at Client Level" to their respective Clearing Member	2
E	Banking and Demat account operations	
E1	Member maintains separate bank account for client funds and own funds.	4
E2	Member maintains separate demat account for clients securities and own securities.	4
E3	Clients funds and securities & commodities are segregated from own funds and securities & commodities.	4
E4	Member has reported all their Bank & DP account details to the Exchange as required by SEBI circular dated September 26, 2016. Further, closure of reported bank and demat accounts has been correctly intimated to the Exchange within prescribed timeline.	2

Sr No	Area of Verification	Revised Risk Categorisation
E5	Member has named / tagged their Bank & DP accounts details to the Exchange as required by SEBI Circular Nos. dated September 26, 2016, June 22, 2017, SEBI/HO/MIRSD/MIRSD_DPIEA/P/CIR/2022/83 dated June 20, 2022, SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/84 dated June 08, 2023, SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/110 dated June 30, 2023 & SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/187 dated December 12, 2023	2
E6	Trading Member has submitted Undertaking cum Indemnity bond to Exchange empowering the Exchange to freeze the bank accounts of the Trading member in compliance to SEBI circular SEBI/HO/MIRSD/DPIEA/CIR/P/2020/115 dated July 01, 2020, on the subject "Standard Operating Procedure in the cases of Trading Member /Clearing Member leading to default".	2
E7	Member has maintained maximum of 30 bank accounts named as "Name of Stock Broker - Client Account"/USCNBA/DSCNBA across all segments and Exchanges at a time	3
E8	Trading Member has submitted Undertaking/Authorisation to Exchange to access the information/statements pertaining to all bank accounts (maintained by members) from Banks	2
E9	Multiple client code is not mapped with single bank/demat account or multiple demat/bank account of different entities are not mapped with a single client code (Except where permitted by the exchange)	3
E10	Member has maintained client bank accounts/USCNBA/DSCNBA with followings banks only i. Banks designated as Clearing Banks by any of the Clearing Corporations from time to time ii. Banks which are not designated as Clearing Banks however empaneled for the purpose of issuance of BGs and FDRs by any of the Clearing Corporations from time to time iii. Payment Banks licensed under Banking Regulation Act, 1949.	1
E11	Member has provided a bank confirmation to the Exchanges in case the client bank accounts/USCNBA/DSCNBA are maintained with the following banks; i. Banks which are not designated as Clearing Banks however empaneled for the purpose of issuance of BGs and FDRs by any of the Clearing Corporations from time to time. ii. Payment Banks licensed under Banking Regulation Act, 1949.	1
E12	Member has displayed details of all their active client bank accounts/USCNBA on their website which are reported to Exchange.	2
F	Terminal operations and systems	
F1	Trading terminals are located in the head office, branch office of the Member or at the office of APsubject to compliance of guidelines specified by the Exchanges.	4
F2	Trading terminals are operated by approved persons/approved users. And not provided TWS/CTCL terminals to unauthorised intermediaries.	4
F3	Correct Terminal details are reported to the Exchange and terminals observed at the inspection location are as per the information submitted to the Exchange.	4
F4	Member has ensured that associated persons functioning as compliance officer employed has obtained NISM series III A certification	2
F5	Records of trading terminals are updated and correctly uploaded to the Exchange CTCL database and periodically reconciled with Exchange database	4

Sr No	Area of Verification	Revised Risk Categorisation
F6	Valid NISM/ MCCP (MCX Certified Commodity Professional) / NICR (NCDEX Institute of Commodity Markets and Research) / NCFM (NSE's Certification in Financial Markets – Commodity Market Module) Certification held by employees are as per exchange requirements.	3
F7	No Offices/Branches/Franchises or User ID's/ Trade Work Stations (TWS) or Trading Terminal are being used for doing unauthorized / illegal trading / fictitious transactions or any trade outside the Exchange trading platform.	4
F8	Member has complied with the advisory for Financial Sector Organizations regarding Software as a Service (SaaS) based solutions issued by the Indian Computer Emergency Response Team (CERT-in) as per SEBI Circular no. SEBI/HO/MIRSD2/DOR/CIR/P/2020/221 dated November 03, 2020	1
F9	Member has ensured that all associated person as defined in SEBI Notification LAD-NRO/ GN/ 2010-11/ 21/ 29390 dated December 10, 2010 have valid NISM series VII certification – (Securities Operations and Risk Management Certification Examination).	NA
F10	Member has taken adequate steps as specified by Exchange's circular to review & monitor the Trading Terminals mapped to its branch/ AP	NA
G	Management of branches / AP and internal control	
G1	In case of closure of branch/ AP location, advance notice of the same is sent to clients.	1
G2	Member has adequate follow up mechanism in case of adverse observations during branch / AP inspections and Member has on an annual basis placed an MIS before their Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) on the number of Branch / AP inspections undertaken, irregularities observed and action taken.	3
G3	Trading member has not dealt with unregistered intermediaries for transactions on the Exchange and All Authorised persons are registered with the Exchange	4
G4	The member has not shared commission/ brokerage with entities with whom trading members are forbidden to do business / another trading member / employee in the employment of another trading member / person doing Intermediary activities without registration.	2
G5	Trading Member has inspected at least 30% of its active Authorized Persons/ Branches every year and also ensure that, each active AP/ Branch is inspected at least once in every three years as per guidelines laid down by the Exchanges.	2
G6	Member has not acted through brokers of other exchange for its clients without registering as a authorized person of these brokers	3
G7	Member is not dealing with more than one member/authorized person of another exchange for proprietary trading.	3
G8	Changes in authorized person details are informed to the Exchange	3
G9	There is a monitoring mechanism to identify sudden increase / decrease in client level turnover from any specific branch/ AP location.	NA
G10	Member has submitted AP Inspections report as per the timelines prescribed by the Exchange	1
G11	Member has timely reported and provided complete/correct details of clients (UCC) mapped to the AP as per Exchange circulars	1

Sr No	Area of Verification	Revised Risk Categorisation
G12	Internal auditor shall verify whether the Member has reported the action taken by the Member of APs in case of adverse observations are found by the member in the AP inspections.	1
G13	Internal auditor shall verify sample inspection reports of APs conducted by the Trading Members for completeness of the indicative scope of AP inspection prescribed by the Exchange.	1
H	Investor grievance handling	
H1	Member is maintaining a register of investor complaints. Register of complaints / grievances contains name of client, UCC details, date, particulars of complaints, action taken by the member and if matter is referred to arbitration then the particulars thereof.	3
H2	Member has a system of resolution of investor complaints in a time bound manner.	1
H3	A designated email id for investor grievance is created and informed to the investors and exchange.	2
H4	Complaints received on the designated email ID are being looked into to address the same.	3
H5	The member has informed the Stock Exchange/Investor about the actions taken for the redressal of grievances of the investor on monthly basis within 7 days of the subsequent month.	1
H6	The member has to take adequate steps to resolve the complaints within 30 days from the date of receipt of the complaint. Please provide the details of complaints, if any, pending for more than 30 days.	1
H7	Information about the grievance redressal mechanism as specified by SEBI circular SEBI/HO/OIAE/OIAE_IAD-1/P/CIR/2023/135 dated July 31, 2023 (updated as on August 04, 2023) is displayed at all the offices of the Member and its Authorised Person(s) for information of the investors.	1
H8	The member have created a seperate page on their website for Investor charter wherein the relevant details provided viz Vision, Mission, Services Provided by the member, Grievance Redressal Mechanism of the Member and Exchange along with the logo of trading member. The link to access the Investor charter is available on the home page of the website. Also member has displayed investor charter at the prominent places in the office and provided a copy of Investor Charter as a part of account opening kit to the clients, through e-mails/ letters etc.	1
H9	Dissemination of the provisions of the SEBI circular SEBI/HO/OIAE/OIAE_IAD-1/P/CIR/2023/135 dated July 31, 2023 (updated as on August 04, 2023) on Member's website.	1
H10	Member has complied with the Escalation Matrix as prescribed by SEBI/Exchanges and updated on website/mobile application of the trading member	1
H11	Member has complied with the mechanism of Online dispute resolution as per SEBI Circular No. SEBI/HO/OIAE/OIAE_IAD-1/P/CIR/2023/135 dated August 04, 2023.	1
I	Maintenance of Books of Accounts	
I1	Prescribed books of accounts/records including Register of securities, Securities holding statements, Exchange wise client ledgers, bank books, margin deposit book / records of margin and client master etc. are maintained as per the specified format containing the required details and for the stipulated period as per regulatory requirements.	2

Sr No	Area of Verification	Revised Risk Categorisation
I2	Register of securities/ commodities is maintained client wise-scrip wise/ commodity wise/ contract wise.	2
I3	All Entries for receipt and payment/ transfer of securities & Commodities are duly recorded in the register of securities & commodities.	2
I4	Segment wise/Exchange wise separate books of accounts are maintained, as applicable as per relevant circulars.	2
I5	Prior approval has been obtained by member for changes in directors/partners/constitution/trade name. If No, post facto application has been submitted to the Exchange for the same.	3
I6	Member has obtained prior approval or intimated (as applicable) to Exchange / SEBI, as applicable in case of any change in the shareholding/ sharing pattern of the company / LLP, partnership firm with or without change in control respectively. If No, post facto application has been submitted to the Exchange for the same.	1
I7	Prior approval has been obtained in case the member has traded with another member of the Exchange. Member has not dealt with / traded with other member of the Exchange by becoming a constituent or through AP of such other member or not allowed any other member of the Exchange to be their constituent to trade without prior approval of the Exchange	2
I8	Member has intimated the Exchange in case they have traded with member of another stock exchange.	3
I9	Whether the member has incurred any advertisement expenses during the audit period and has complied with the regulations of obtaining Exchange approval before issuance of all such advertisements.	2
I10	The Member, its Group companies/ third party or its associate has not offered any schemes/ leagues/ competitions and has not issued any advertisement for the same. Further, the stock broker has not carried out advertisements in which celebrities form part of the advertisement.	2
I11	SEBI registration certificate of the Trading Member was displayed at the location of audit.	2
I12	Trading member has not dealt with suspended/ defaulter/ expelled members and entities prohibited from accessing market.	4
I13	Last submitted net worth certificate to the Exchange is correctly submitted. In case of incorrect reporting of Networth is leading to shortfall, please specify in remarks.	1
I14	Member has not engaged in any activity involving any personal financial liability, other than of securities or commodities derivative or which is connected to or incidental to or consequential upon securities / commodities business	1
I15	Dividend and other corporate benefits received on behalf of clients is paid/credited/passed on to the respective clients account.	3
I16	Member has maintained Net worth as prescribed by the SEBI Gazette Notification No. SEBI/LAD-NRO/GN/2022/73 dated February 23, 2022	NA
I17	Member, its Directors, Promoters, Partners, Principal Officer, Compliance Officer and Key Management Persons, are Fit and Proper Persons as per the criteria specified by Exchange / SEBI from time to time.	1

Sr No	Area of Verification	Revised Risk Categorisation
I18	Member has intimated the details of Politically Exposed Persons (PEP) associated with the member entity in the prescribed format.(if applicable). Member is aware that it shall submitted the details to Exchange as and when there is change in any of the details of Politically Exposed Persons' (PEP).	3
J	Systems & Procedures pertaining to Prevention of Money Laundering Act, PMLA, 2002	
J1	Principal officer has been appointed and details of the same or any change thereafter was intimated to FIU & Exchange	1
J2	Designated Director has been appointed and details of the same or any change thereafter was intimated to Financial Intelligence Unit(FIU) & Exchange	1
J3	The member has adopted and implemented written guidelines prescribed under PMLA, 2002.	1
J4	The Member has adequate system in place that allows continuous monitoring of transactions and generates alerts based on set parameters for suspicious transactions.	1
J5	Adequate systems & procedures are in place to scrutinize the alerts for arriving at suspicious transactions and reporting the same to FIU.	1
J6	Member has adequate systems & procedures in place to ensure screening of employees while hiring.	1
J7	Record of transactions, its nature & value and records of reporting made to FIU are maintained and preserved by the member as prescribed under Rule 3, 7 & 8 of PMLA.	1
J8	Member has ongoing training program for employees so that staff are adequately trained in AML & CFT procedure.	1
J9	Member has taken adequate measures to carry out & document risk assessment to identify, assess and mitigate its money laundering and terrorist financing risk.	1
J10	Member has complied with the requirements of the various FATF public statements and updated UNSC lists which are circulated by the exchanges	1
J11	Member has complied with the following w.r.t FIU Registration, i. Member has done the online registration with FIU-India and has got the FIU Registration no. (FIU-REID). ii. Whether all reporting entities (REs) (including the Stock-Brokers) registered in FINnet 1.0 are re-registered themselves in FINnet 2.0 module.	1
J12	Whether all relevant RFIs (Red Flag Indicator) have been implemented by the member per letter issued by FIU.	1
J13	Senior management approval has been obtained for starting account relationship with a PEP client or for continuing the relationship.	1
J14	Record of transactions are preserved and maintained in terms of Section 12 of Prevention of Money Laundering Act (PMLA),2002.	1
J15	The AML policy is in line with PMLA requirements.	1
J16	AML policy has been updated to reflect recent changes or has been updated with considerable delay	1

Sr No	Area of Verification	Revised Risk Categorisation
J17	Member has maintained updated designated list in electronic form and names of existing clients are checked from such list. Further, member runs a check on the given parameters on a regular basis to verify whether designated individuals/entities are holding any funds, financial assets or economic resources or related services held in the form of securities with them and have informed the relevant authority in timely manner in the event of any particulars matched with list of designated individuals / entities	1
J18	Review of the appointment process of Principal Officer - Verify internal norms for appointment - Board of Director's approval for appointment - Role and responsibilities - internal norms for appointment and reappointment - Review of the nature and frequency of the reporting done between the Board or senior management with the Principal Officer and compliance dept. staff - Seniority of the Principal Officer within the TM organisation.	1
J19	Verify the trading member's policy on appointment of third party / registered intermediary for the purpose of (a) identification and verification of the identity of a client and (b) determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner.	1
J20	Member has ensured that exposure to clients (i.e. open positions, Margin received, MTM loss incurred, receipts of funds etc.) is not disproportionate to client's updated financial information (i.e. Income/profit/Net worth of the client)	1
J21	Member has complied with the guidance published by FATF regarding Risk Based Approach (RBA) for Securities Sector for effective implementation of revised FATF International Standards as per Exchange Circulars.	1
J22	Names of prospective clients are checked against the names of entities/individuals against whom sanctions have been applied and member has a practice of verifying its name of clients with latest updated FATF Statements and UNSC list circulated from time to time	1
J23	Cash Transaction Report and Suspicious Transaction Report is submitted wherever applicable to FIU-IND in the prescribed format	1
J24	Trading member has adopted risk assessment while implementing client due diligence and the same is documented & updated regularly as per PMLA guidelines	1
J25	Trading member has applied enhanced due diligence measures for clients categorized as high risk and special category.	1
J26	Trading member has applied enhanced due diligence measures for clients who are residents of jurisdictions listed in Financial Action Task Force (FATF) statements.	1
K	Transfer of trades	
K1	Trades were executed in respective clients account and are not transferred from one client code to another client code or from client code to pro or vice-versa in the back office of the member. In case of such transfers, if any specific pattern is observed instances to be provided in remarks column.	4
K2	All client code modifications were done to rectify a genuine error in entry of client code and no patterns were observed. If any pattern is observed, please give details.	1

Sr No	Area of Verification	Revised Risk Categorisation
K3	Systems are put in place to monitor/ prevent the use of client code modification facility for purposes other than correcting mistakes arising out of client code order entry.	3
K4	The trades modified by the member to the "ERROR" code have been settled in ERROR account and not shifted to some other client code. If not complied, please provide the details.	4
K5	Trading Member has a well-documented error policy to handle client code modifications, approved by their board/ management.	3
K6	Member has maintained Trade Log and Order Log	1
L	Margin Trading	
L1	Member has obtained specific approval from the exchange, in case he is providing margin trading facility to his clients.	NA
L2	Member have clearly segregated client MTF and Non-MTF account/ledger at back-office level	NA
L3	Member has provided MTF facility only for eligible securities as mentioned in the circular	NA
L4	Sufficient margin is collected with appropriate hair cut for funded securities under MTF	NA
L5	Member has not used more than allowable exposure towards MTF	NA
L6	Member has fulfilled minimum networth requirement criteria for MTF during the audit period	NA
L7	Member has an efficient system for collecting and reporting client margin collection to the Exchange for MTF trades	NA
M	Proprietary Trading	
M1	If member is doing pro trading, then member has disclosed this information to his clients.	1
M2	If member is doing pro trading from multiple locations, the member has obtained prior approval from the Exchange in this regard.	3
M3	Proprietary losses have been met by the own funds & securities of the Trading Member only	4
M4	All trades in own account were done in PRO code only and such trades were done through approved terminals at approved locations only	2
N	Internet Trading	
N1	Member has obtained specific approval from the exchange, in case he is providing internet trading facility to his clients and Member has complied with regulatory requirements related to internet trading.	1
O	Execution of Power of Attorney (POA)	
O1	The POA executed with the client (if any) is in the favor of the member and it is not in favor of any other person.	NA
O2	The Power of Attorney executed in favour of trading member is only limited to the purposes as allowed and adheres to the Provisions of SEBI circular SEBI/HO/MIRSD/DOP/CIR/P/2020/158 dated August 27, 2020	NA
O3	The PoA executed does not prohibit operation of trading account by client(s).	NA
O4	The Member has adopted sufficient internal controls to ensure that POA is not misutilised.	NA
O5	Flagging of POA has been undertaken in the UCC with respect of all clients registered after February 13th, 2015	NA

Sr No	Area of Verification	Revised Risk Categorisation
O6	Member has complied with respect to SEBI circular on Execution of 'Demat Debit and Pledge Instruction' for transfer of securities towards deliveries /settlement obligation and pledging/repledging of securities with effect from September 01, 2022 and Mutual Fund transactions/Tendering shares in open offers with effect from November 18, 2022	1
O7	Trading member has not directly / indirectly compelled the clients to execute Power of Attorney (PoA) or Demat Debit and Pledge Instruction (DDPI) or deny services to the client if the client refuses to execute PoA or DDPI.”	1
P	Securities Lending & Borrowing Scheme	
P1	Member has obtained specific approval from the exchange for offering SLBS.	NA
P2	Member has complied with regulatory requirements related to SLBS.	NA
Q	Other items	
Q1	Change in Address (registered / correspondence/branch office), contact details (if any) and authorised signatories are carried out with intimation to the Exchange by submitting the specified documents as per the formats and updation in the Exchange portal is done within 15 working days from the date of such changes carried out by the member.	1
Q2	Exchange Market data has not been used other than for legitimate purposes	4
Q3	Member has correctly provided PAN of all their Directors, Key Management Personnel and dealers to the Stock Exchanges within the prescribed timelines and any change in those details are correctly intimated to the Stock Exchanges within seven days of such change.	3
Q4	Adverse comments in Statutory Audit Report of Corporate Member have been considered.	1
Q5	In case of submission Aadhar card as a proof during client registration, member have adhered to the Exchange guidelines that includes: a. consent letter b. Aadhaar card number should be redacted or blacked out or masked	2
Q6	Member has not used MCX / NCDEX Logo/Emblem	1
Q7	ROC related non - compliances are not observed	1
Q8	Comments /observation on any other specific area which is not covered under any of the above area of verification.	1
Q9	Member is not involved in fund lending/borrowing activities- with the exception of those in connection with or incidental to or consequential upon the commodities business	1
Q10	Member has discontinued the usage of pool accounts for transactions in the units of Mutual Funds and ensured the following. i. not accept mandates for SIPs or Lumpsum transactions in their name; ii. accepted cheque payments from investors issued in favor of the respective SEBI recognized Clearing Corporations or mutual fund scheme(s) only. iii. not accepted or handled funds or units of investors in their proprietary accounts or pool accounts in any form or manner.	NA

Sr No	Area of Verification	Revised Risk Categorisation
Q11	In case of clients registered for transactions in units of Mutual Funds on the Stock Exchanges Platforms (demat transactions), member has ensured the following during client registration. i. KYC Compliant ii. FATCA declaration obtained from client. iii. Ultimate Beneficial Owner (UBO) details obtained in case of non-individual client. iv. Bank account and Demat account details obtained with Third Party Validation (TPV) v. Email id and mobile number obtained.	NA
Q12	Trading Member has updated the details of KMP to the Exchange.	1
Q13	Trading member has complied with the provisions related to Execution Only Platforms for facilitating transactions in direct plans of schemes of Mutual Funds as per SEBI Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/86 dated June 13, 2023	NA
Q14	Whether Member has placed the disciplinary action letter received from Exchanges/SEBI before Board for consideration.	1
R	Compliances related to Online Bond Platform	
R1	The entity has appointed a Company Secretary as a compliance officer	NA
R2	The entity has appointed at least two qualified key managerial personnel with experience of at least three years in the securities market	NA
R3	The entity has obtained a SEBI Complaints Redress System (SCORES) authentication and has put in place a well-defined mechanism to address grievances that may arise or likely arise while carrying out OBP operations.	NA
R4	Trading Member has establish necessary systems and frame suitable policies, in writing, for registration of users/ investors/ sellers on the OBP, execution of transactions and orders, roles and responsibilities of investors and sellers, risk management and control, liability framework for OBP, investors and sellers in case of breach of the policies, restrictions or other requirements that may apply for accessing the OBP	NA
R5	Member has entered into an agreement in writing where he allows third party sellers of debt securities to use the OBP to sell such securities, defining inter-se relationship and sets out their mutual rights, liabilities and obligations relating to such assignments.	NA
R6	The entity shall comply with Know Your Client (KYC) requirements and verify the identity of its investors and sellers	NA
R7	All Orders with respect to listed debt securities placed on OBP are mandatorily routed through the Request for Quote platform (RFQ) of the recognised Stock Exchange(s) and settled through the respective Clearing Corporations All Orders with respect to debt securities proposed to be listed through a public offering placed on OBP shall be mandatorily routed and settled through the stock exchange mechanism.	NA
R8	Trading member has issued order receipt, deal sheet and quote receipt with all the precribed details	NA
R9	The entity shall ensure that investors and sellers are also regularly updated on the status of transactions electronically through SMS, email etc.	NA

Sr No	Area of Verification	Revised Risk Categorisation
R10	The entity shall ensure compliance with the minimum disclosure requirements as specified in SEBI circular SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2022/154 dated November 14, 2022	NA
R11	The entity undertakes to ensure that its advertisements shall be in conformity with the Advertisement Code as specified in SEBI Circular Nos. SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2022/154 dated November 14, 2022 and SEBI/HO/DDHS/POD1/P/CIR/2023/194 dated December 28, 2023	NA
R12	The entity has adequate grievance redress mechanism for redressal of grievances of the investors within 30 days from the date of the receipt of the complaint.	NA
R13	Entity has a comprehensive risk management framework covering all aspects of its operations and shall ensure that risks associated with its operations are identified properly and managed prudently.	NA
R14	Entity has establish appropriate safeguards and procedures to deal with exigencies like suspension or cessation of trading in debt securities, cancellation of orders or transactions by the investors and sellers, malfunctions or erroneous use of its systems by investors and sellers, or other unforeseen situations	NA
R15	The entity undertakes to identify and disclose on its OBP, all instances of conflict of interest, if any, arising from its transactions or dealings with related parties	NA
S	Compliance status of last inspection carried out by SEBI/ Exchanges/ Internal Auditor	
S1	Member has taken corrective steps to rectify the deficiencies observed in the inspection carried out by SEBI. Further whether Member has complied with the qualifications/violations made in last SEBI inspection report.	1
S2	Member has taken corrective steps to rectify the deficiencies observed in the inspection carried out by Exchange. Further Member has complied with the qualifications/violations made in last Exchange inspection report.	1
S3	Member has taken corrective steps to rectify the deficiencies observed in the latest half yearly internal audit report	1
T	Comments of the auditor on any other area or any other Internal Audit conducted for the Trading member during the Audit period	
T1	Comments of the auditor on any other area or any other Internal Audit conducted for the Trading member during the Audit period	1
U	The last half years Internal Audit Report was placed/ approved by the Board/ Proprietor/ partners.	
U1	The last half years Internal Audit Report was placed/ approved by the Board/ Proprietor/ partners.	1