Indicative Processes and reference of Exchange / SEBI circulars

A. Guidelines for preparation of internal audit report

The guidelines prescribed hereunder do not limit the scope of the internal audit. The points mentioned are only indicative in nature and not exhaustive. This has been prepared based on the regulatory requirement (as per relevant acts, rules, regulations and circulars) which keep on developing from time to time. The auditors should peruse them and update the scope of the audit. The auditors should clearly indicate 'Complied" indicating Compliance, 'Not Complied" indicating Non-compliance or 'NA' wherever 'Not Applicable'. **In case of 'NA', auditors should mention the reason for non-applicability.**

The report shall also include the following.

1	**Management comments** a) In case of any non-compliances / findings / observations / qualifications by the auditor the management's responses should be **compulsorily** given to the Exchange against each point. Further, para wise comments are required to be given by the management as given in the Annexure 2
2	**Points to be noted by the Internal Auditor** a) No remarks will be allowed by Auditor in case of "Complied" status. In case the Auditor is of the opinion that the relevant checklist point has not been complied by the Member in full, Auditor shall indicate "Non- Compliance" against such points. b) Auditor to comment on improvements brought about in the operations between the last audit and the current Audit at point no. 17 of the checklist. c) A statement by the auditor that the provisions of SCRA 1956, SEBI Act 1992, SEBI (Stock Brokers and Sub-brokers) Regulations 1992, SCRR 1957, circulars of SEBI, agreements, Rules, Bye laws, Regulations laws of Exchange/Clearing Corporation, data security and insurance have been covered in the audit. d) Auditor shall specifically declare about direct / indirect interest in or relationship with the member or its directors / partners / proprietors / management if any and also confirm that they do not perceive any conflict of interest in such relationship / interest while conducting internal audit of the said member. e) The Auditor's membership number allotted by the affiliated professional body should be quoted at the bottom of the report as provided in the format. Each page of the report shall be signed and stamped by the auditor. f) The Auditor's details as prescribed by the SEBI are required to be furnished in the Certificate For Internal Audit (**Annexure I**).

	g) In case any violations/qualifications/observations are observed by the auditor the same shall be submitted as annexure with complete details and should be quantified specifying the no. of instances, value etc. and the evidences should be enclosed with the Internal Audit Report. h) Sample size indicated in the format above is minimum sample size. The auditor may increase the sample size as it may deem fit. The auditor shall endeavor that the sample selected is representative sample of the population. The auditor may refer to the relevant sampling standards (Standard on Internal Audit (SIA) 5 – Sampling prescribed by the Institute of Chartered Accountants of India. (ICAI). i) The internal audit report should be submitted to the Exchange as per the report format specified in Annexure II. j) In case where internal audit report submitted is incomplete or not as per the prescribed guidelines like certification of sample size not given, only certificate submitted without report, the same would be treated as non-submission of internal audit report. Exchange reserves the right to advise a Member to change its auditor if quality of the report is not satisfactory or the audit is not carried out as per guidelines. k) If in the opinion of the auditors, any observation related to any area also poses a risk in relating to Anti Money Laundering (AML) or Combating Financing of Terrorism (CFT) then such observation should be highlighted clearly specifying the risk related to it.

1. <u>Client registration and documentation / Anti Money Laundering Compliance:</u>

- Uniform documentation as prescribed by SEBI for client account opening process
- Uploading of KYC data on the system of KRA and sending documents to KRA within the stipulated timeline
- Uploading of KYC data of existing clients on the system of KRA and sending documents to KRA within the stipulated timeline
- Systems and procedures put in place by member for verification of PAN before opening account
- Procedure followed by the member for informing UCC to the clients & uploading to the Exchange
- Mechanism to ensure financial details of clients
- Procedure adopted for in person verification of clients
- Procedure adopted by relationship managers, if any, for procuring new clients
- Storage of client registration documents and retrieval mechanism
- Procedure adopted for obtaining clients' consent for electronic contract notes
- Periodic review of client related information and updation of the same in system
- Acquaintance procedure for new clients
- Customer acceptance policy and customer due diligence measures
- Processes for verification of alerts with KYC details
- **Member to display following information on website "Prevent unauthorised transactions in your account --> Update your mobile numbers/email IDs with your stock brokers. Receive information of your transactions directly from Exchange on your mobile/email at the end of the day"**
- Simplification of Account Opening Kit for clients registered on or after 1-Aug-16.
- Client Registration Documents in Vernacular Languages
- Central KYC Records Registry (CKYCR).

- Uploading of the KYC details with Central KYC Records Registry (CKYCR) System by the registered intermediaries.

SEBI and Exchange references
MCX-SX Regulation 4.3.1, 4.3.2, 4.3.3
MCX-SX Regulation 4.3.3
MCX-SX Regulation 4.5.3 (j)
SEBI Circular No. SEBI/MIRSD/DPS-1/Cir-31/2004 dated 26-August-2004
SEBI Circular No. MRD/DoP/SE/Cir-05/2007 dated 27-April-2007
MCX-SX Circular No. MCX-SX/MEM/4/2008 dated 4-October-2008
MCX-SX Circular No. MCX-SX/COMP/56/2009 dated 27-January-2009
SEBI Circular No. SEBI/MIRSD/Cir. No. 02/2010 dated 18-January-2010
MCX-SX Circular MCX-SX/INSP/268/2010 dated 20-January-2010
RBI Guidelines No. RBI/2008-09/122 A.P. (DIR Series) Circular No. 05 dated 06-August-2008
SEBI Circular No. MIRSD/SE/Cir-19/2009 dated December 3, 2009
MCX-SX Circular No. MCX-SX/INSP/238/2009 dated December 4, 2009
MCX-SX Circular No. MX-SX/INSP/296/2010 February 25, 2010
SEBI Circular No. ISD/AML/Cir-1/2010 dated 12-February-2010
SEBI Circular No. CIR/ISD/AML/2/2010 dated 14-June-2010
MSE Circular No. MCX-SX/INSP/370/2010 dated 21-June-2010
SEBI Circular No. Cir/MIRSD/ 9 /2010 dated November 4, 2010
SEBI Circular No. CIR/MIRSD/15/2011 dated August 2, 2011
SEBI Circular No. CIR/MIRSD/16/2011 dated August 22, 2011
MCX-SX Circular No. MCX-SX/INSP/628/2011 dated August 24, 2011
SEBI Circular No. CIR/MIRSD/22/2011 dated October 25, 2011
MCX-SX Circular No. MCX-SX/INSP/654/2011 dated November 2, 2011
SEBI Circular No. MIRSD/Cir-23/2011 dated December 2, 2011
SEBI Circular No. MIRSD/CIR-26/2011 dated December 23, 2011
MCX-SX Circular No. MCX-SX/INSP/670/2011 dated December 26, 2011
SEBI Circular No. MIRSD/Cir-5/2012 dated April 13, 2012
MCX-SX Circular No. MCX-SX/INSP/756/2012 dated April 16, 2012
MCX-SX Circular No. MCX-SX/INSP/933/2013 dated January 08, 2013
MCX-SX Circular No. MCX-SX/INSP/945/2013 dated January 14,2013
MCX-SX Circular No. MCX-SX/INSP/966/2013 Dated January 25, 2013
SEBI Circular No. CIR/MIRSD/2/2013 dated January 24, 2013
MCX-SX Circular No. MCX-SX/INSP/982/2013 Dated January 31, 2013
SEBI Circular No. CIR/MIRSD/4/2013 dated March 28, 2013
SEBI Circular No. CIR/MIRSD/07/2013 dated September 12, 2013
MCX-SX Circular No. MCX-SX/INSP/2180/2014 dated September 03, 2014
MCX-SX Circular No. MCX-SX/INSP/2202/2014 dated September 12, 2014
MSE Circular No. MSEI/INSP/4372 dated 26-Jul-2016

SEBI and Exchange references
SEBI Circular No. CIR/MIRSD/64/2016 dated July 12, 2016
MSE Circular No. MSEI/INSP/4355/2016 dated July 15, 2016
SEBI Circular No. CIR/MIRSD/66/2016 dated July 21, 2016
MSE Circular No. MSEI/INSP/4373/2016 dated July 26, 2016
SEBI Circular No. CIR/MIRSD/120/2016 dated November 10, 2016
MSE Circular No. MSEI/INSP/4705/2016 dated November 16, 2016
MSE Circular No. MSE/INSP/6239/2018 dated April 18, 2018
MSE Circular No. MSE/INSP/8962/2020 dated April 27, 2020
MSE Circular No. MSE/INSP/11468/2022 dated February 09, 2022
MSE Circular No. MSE/INSP/11631/2022 dated March 28, 2022
MSE Circular No. MSE/INSP/13212/2023 dated March 20, 2023
MSE Circular No. MSE/INSP/13701/2023 dated June 23, 2023
MSE Circular No. MSE/INSP/13762/2023 dated July 06, 2023
MSE Circular No. MSE/INSP/13847/2023 dated July 21, 2023
SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/95 dated June 21, 2023
SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/132 dated August 01, 2023
SEBI Circular No. SEBI/HO/MIRSD/DoP/P/CIR/2022/46, dated April 06, 2023
SEBI Circular No. SEBI/HO/MIRSD/FATF/P/CIR/2023/0144 dated August 11, 2023
SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/30 dated February 15, 2023
SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/73 dated May 19, 2023
SEBI Circular No. SEBI/HO/MIRSD/SECFATF/P/CIR/2023/169 dated October 12, 2023
MSE Circular No. MSE/ID/14315/2023 dated October 17, 2023
MSE Circular No. MSE/ISC/14270/2023 dated October 09, 2023
MSE Circular No. MSE/ID/14712/2024 dated January 08, 2024

2. Order management and risk management systems

- Procedure adopted for receipt of orders from clients
- Mechanism for order management and execution
- Procedure adopted for setting Limits at client level / Terminal level/Dealer level
- Policy on Margin collection mechanism and the modes of margin money
- Procedure adopted for reporting of client margin collection to clearing corporation
- Reporting of Client funding details to the Exchange
- Review of process adopted for monitoring / recovery of long outstanding debit balances
- Procedure adopted for providing Direct Market Access (DMA) facility

SEBI and Exchange references
MCX-SX Regulation no. 4.4.14
MCX-SX Regulation no. 6.5
SEBI Circular No. MRD/DoP/SE/Cir-11/2008 dated 17-April-2008
MCX-SX Circular No. MCX-SX/C&S/3/2008 dated 4-October-2008

SEBI and Exchange references
MCX-SX Circular No. MCX-SX/C&S/3A/2008 dated 4-October-2008
MCX-SX Circular No. MCX-SX/C&S/7/2008 dated 4-October-2008
MCX-SX Circular No. MCX-SX/INSP/34/2008 dated 24-November-2008
MCX-SX Circular No. MCX-SX/C&S/63/2009 dated 16-February-2009
Securities Contract Regulation Rules (SCRR) Rule 8(i)(f) and 8(iii)(f)
SEBI Circular No. SMD/POLICY/CIR-6//97 dated 7-May-1997
SEBI circulars no. Cir/ ISD/1/2011, dated March 23, 2011
SEBI circulars no. Cir/ISD/2/2011 dated March 24, 2011
SEBI Circular No. CIR/MRD/DP/8/2011 dated June 30, 2011
SEBI Circular No. CIR/DNPD/7/2011 dated August 10, 2011
MCX-SX Circular No. MCX-SX/C&S/619/2011 dated August 11, 2011
SEBI Circular No. CIR/MIRSD/24/2011 dated December 15, 2011
MCX-SX Circular No. MCX-SX/INSP/667/2011 dated December 20, 2011
MCX-SX Circular No. MCX-SX/C&S/663/2011 dated December 16, 2011
MCX-SX Circular No MCX-SX/INSP/955/2013 Dated January 17, 2013
MCX-SX Circular No MCX-SX/INSP/1067/2013 Dated March 18, 2013
MCX-SX Circular No MCX-SX/CTCL/925/2012 Dated December 31, 2012
MCX-SX Circular No MCX-SX/ID/1053/2013 Dated March 08, 2013
MCX-SX Circular No MCX-SX/ID/1613/2013 dated November 29, 2013
SEBI circular CIR/MRD/DP/20/2014 dated June 20, 2014
MCX-SX Circular No MCX-SX/SURV/2009/2014 dated June 26, 2014
MSE Circular No. MSE/INSP/5963/2018 dated January 22, 2018
MSE Circular No. MSE/INSP/6511/2018 dated June 29, 2018
MSE Circular No. MSE/INSP/8475/2019 dated December 27, 2019
MSE Circular No. MSE/INSP/8653/2020 dated February 10, 2020
SEBI circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020
MSE Circular No. MSE/INSP/8734/2020 dated February 27, 2020
MSE Circular No. MSE/INSP/9042/2020 dated May 27, 2020
MSE Circular No. MSE/INSP/9304/2020 dated July 31, 2020
MSE Circular No. MSE/INSP/9420/2020 dated August 31, 2020
MSE Circular No. MSE/INSP/9535/2020 dated September 29, 2020
MSE Circular No. MSE/INSP/9795/2020 dated December 01, 2020
MSE Circular No. MSE/INSP/9263/2020 dated July 22, 2020
SEBI circular CIR/HO/MIRSD/DOP/CIR/P/2019/88 dated Aug 01, 2019
MSE Circular No. MSE/INSP/9778/2020 dated Nov 27, 2020
MSE Circular No. MSE/INSP/10101/2021 dated February 09, 2021
MSE Circular No. MSE/INSP/10996/2021 dated October 13, 2021
MSE Circular No. MSE/INSP/11819/2022 dated May 12, 2022
MSE Circular No. MSE/INSP/11982/2022 dated June 23, 2022
MSE Circular No. MSE/INSP/12032/2022 dated July 06, 2022
MSE Circular No. MSE/INSP/12255/2022 dated September 02, 2022

SEBI and Exchange references
MSE Circular No. MSE/INSP/12345/2022 dated September 22, 2022
SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/73 dated May 19, 2023

3. <u>Contract notes, Client margin details and Statement of accounts</u>

- Procedure adopted for issuance of contract notes
- Adherence to electronic contract note norms, if applicable
- Procedure adopted for sending statement of accounts
- Procedure adopted for sending margin details to clients
- Procedure for maintaining acknowledgement/proof of delivery of contract notes/statement of accounts/margin details to the clients
- Routing of Institutional trades through custodian by following Straight Through Processing (STP)
- Printing of Compliance officer details on contract notes, client margin details and statement of accounts

SEBI and Exchange references
MCX-SX Regulation No. 3.6
MCX-SX Regulation No. 3.6.1
MCX-SX Regulation No. 3.6.2
SEBI (Stock Brokers & Sub-Brokers) Regulation (Chapter IV Regulation 18A)
SEBI circular MRD/DoP/SE/Cir-20/2005 dated September 08, 2005
MCX-SX circular no MCX-SX/INSP/34/2008 dated November 24, 2008
MCX-SX Circular No. MCX-SX/MEM/4/2008 dated October 04, 2008
MCX-SX Circular No. MCX-SX/COMP/54/2009 dated January 27, 2009
MCX-SX Regulation no. 15.1.6.1 (c)
MCX-SX circular no MCX-SX/COMP/53/2009 dated January 27, 2009
MCX-SX Circular No. MCX-SX/INSP/177/2009 dated September 10, 2009
MCX-SX Circular No. MCX-SX/INSP/238/2009 dated December 4, 2009
MCX-SX Circular No. MCX-SX/INSP/296/2010 February 25, 2010
SEBI Circular No. Cir/MIRSD/ 9 /2010 dated November 4, 2010
MCX-SX circular no MCX-SX/INSP/471/2010 dated November 10, 2010
SEBI Circular No. SEBI/ MIRSD /Cir/ 01/ 2011 dated May 13, 2011
MCX-SX circular no MCX-SX/INSP/667/2011 dated December 20, 2011
MCX-SX circular no MCX-SX/INSP/793/2012 dated June 14, 2012
MCX-SX Circular No. MCX-SX/INSP/943/2013 dated January 14,2013
MCX-SX Circular No. MCX-SX/INSP/944/2013 dated January 14,2013

SEBI and Exchange references
MCX-SX Circular No. MCX-SX/INSP/948/2013 dated January 16,2013
MCX-SX Circular No. MCX-SX/INSP/955/2013 dated January 17,2013
MCX-SX Circular No. MCX-SX/INSP/964/2013 dated January 23,2013
MCX-SX Circular No. MCX-SX/INSP/991/2013 dated February 06,2013
MCX-SX Circular No. MCX-SX/INSP/994/2013 dated February 07,2013
MCX-SX Circular No. MCX-SX/INSP/2715/2015 dated March 05,2015
MSEI Circular No. MSEI/INSP/3025/2015 dated May 21, 2015
MSEI Circular No. MSEI/INSP/ 4281/2016 dated June 21, 2016
MSE Circular No. MSE/INSP/7872/2019 dated July 04, 2019
MSE Circular No. MSE/INSP/5937/2018 dated January 12, 2018
MSE Circular No. MSE/INSP/5963/2018 dated January 22, 2018
MSE Circular No. MSE/INSP/7872/2019 dated July 04, 2019
MSE Circular No. MSE/INSP/9545/2020 dated September 30, 2020
MSE Circular No. MSE/INSP/10081/2021 dated February 05, 2021
MSE Circular No. MSE/MEM/10149/2021 dated February 25, 2021
MSE Circular No. MSE/INSP/11629/2022 dated March 28, 2022
MSE Circular No. MSE/INSP/11934/2022 dated June 13, 2022
MSE Circular No. MSE/MEM/12640/2022 dated November 28, 2022

4. <u>Dealing with clients' funds and securities</u>

- Verification of internal controls adopted by the member while accepting banker's cheque / demand draft from clients
- Procedure for ensuring that receipts and payment of funds/securities are from/to respective client only
- No cash dealings with clients
- Verification of following books of accounts/records
  - Register of Securities
  - Bank Statements
  - Depository accounts maintained by member
  - Client ledgers
  - Cash Book
  - Bank Book
  - Details of records of client securities pledged, if any.
  - Underlying for any overdraft/loan account.
- Procedure for settlement of clients' accounts and issue of statement of accounts
- Procedure for ensuring that client funds are not mis-utilized
- In cases where member is acting as investment advisers, member should comply with Investment Advisers Regulations, 2013 (SEBI Notification No. LAD-NRO/GN/2012-13/31/1778 on 21st January 2013)
- General Guidelines for dealing with Conflicts of Interest of Intermediaries, Recognised Stock Exchanges, Recognised Clearing Corporations, Depositories and their Associated Persons in Securities Market.

- Separate code for buy and sell for NRI clients to be used.
- Member has not transferred funds from client bank account to any third party or any other non-client account
- Member has not transferred funds to its Group companies/ Associates from client bank accounts.
- Payment for own trades (PRO) are not made from client bank accounts.
- Member is not operating any assured returns schemes and mobilizing deposits from investors.
- Member has not taken securities from any client for purposes other than margin or meeting the client's obligation.
- Member has ensured that the funds & securities available in the client bank/s and client beneficiary account/s together with balances available with clearing Member and funds with clearing corporation are not less than the funds and securities payable to the client at all times.
- Member has ensured that it has submitted the correct & complete details to Exchange regarding Client funds & securities under Enhanced Supervision

SEBI and Exchange references
MCX-SX Regulation No. 15.1.6.1 (a) & 4.4.13
MCX-SX Regulation No. 15.1.6.2
MCX-SX Regulation No. 4.4.16
MCX-SX Regulation no. 4.4.17
MCX-SX Regulation no. 4.5.3 (e)
SEBI Circular No. SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003
MCX-SX Circular No. MCX-SX/INSP/34/2008 dated November 24, 2008
MCX-SX Circular No. MCX-SX/COMP/53/2009 dated January 27, 2009
MCX-SX Circular No. MCX-SX/COMP/117/2009 dated May 13, 2009
SEBI Circular No. MIRSD/ SE /Cir-19/2009 dated December 3, 2009
MCX-SX Circular No. MCX-SX/INSP/238/2009 dated December 4, 2009
MCX-SX Circular No. MCX-SX/INSP/296/2010 dated February 25, 2010
MCX-SX Circular No. MCX-SX/INSP/322/2010 Dated March 23, 2010
SEBI Circular No. SEBI/MIRSD/Master Cir-04/2010 dated March 17, 2010
SEBI Circular No. SEBI/ MIRSD /Cir/ 01/ 2011 dated May 13, 2011
SEBI circulars no. CIR/MIRSD/03/2011, dated June 9, 2011
MCX-SX Circular No. MCX-SX/INSP/584/2011 dated June 10, 2011
SEBI Notification No. LAD-NRO/GN/2012-13/31/1778 Dated January 21, 2013
MCX-SX Circular No. MCX-SX/INSP/977/2013 dated January 30, 2013
SEBI Circular No. CIR/MIRSD/5/2013 dated August 27, 2013
MCX-SX Circular No. MCX-SX/INSP/1411/2013 dated August 29, 2013
MCX-SX Circular No. MCX-SX/INSP/1916/2014 dated May 02, 2014
SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016.
MSE/INSP/5584/2017 dated September 26, 2017
MSE Circular No. MSE/INSP/6565/2018 dated July 16, 2018
MSE Circular No. MSE/INSP/6813/2018 dated September 21, 2018

SEBI and Exchange references
MSE Circular No. MSE/INSP/6994/2018 dated November 16, 2018
SEBI Circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019
MSE Circular No. MSE/INSP/8072/2019 dated August 30, 2019
MSE Circular No. MSE/INSP/8529/2019 dated January 10, 2020
MSE Circular No. MSE/INSP/8538/2019 dated January 14, 2020
MSE Circular No. MSE/INSP/8653/2019 dated February 10, 2020
MSE Circular No. MSE/INSP/9052/2019 dated May 28, 2020
MSE Circular No. MSE/INSP/9053/2019 dated May 28, 2020
MSE Circular No. MSE/INSP/9061/ 2020 dated May 30, 2020
MSE Circular No. MSE/INSP/9442/2019 dated September 03, 2020
MSE Circular No. MSE/INSP/10220/2021 dated March 18, 2021
MSE Circular No. MSE/INSP/10372/2021 dated April 30, 2021
MSE Circular No. MSE/INSP/10693/2021 dated July 22, 2021
MSE Circular No. MSE/INSP/10559/2021 dated June 17, 2021
MSE Circular No. MSE/INSP/10840/2021dated September 01, 2021
MSE Circular No. MSE/INSP/11228/2021 dated December 14, 2021
MSE Circular No. MSE/INSP/11018/2021 dated October 20, 2021
MSE Circular No. MSE/INSP/11350/2022 dated January 07, 2022
MSE Circular No. MSE/INSP/11152/2021 dated November 26, 2021
MSE Circular No. MSE/INSP/11228/2021 dated December 14, 2021
MSE Circular No. MSE/INSP/11328/2022 dated January 05, 2022
MSE Circular No. MSE/INSP/11399/2022 dated January 20, 2022
MSE Circular No. MSE/INSP/11425/2022 dated January 27, 2022
MSE Circular No. MSE/INSP/11663/2022 dated April 01, 2022
MSE Circular No. MSE/INSP/11813/2022 dated May 11, 2022
MSE Circular No. MSE/INSP/12002 dated June 29, 2022
MSE Circular No. MSE/INSP/12037/2022 dated July 07, 2022
MSE Circular No. MSE/INSP/12048/2022 dated July 11, 2022
MSE Circular No. MSE/INSP/12113/2022 dated July 28, 2022
MSE Circular No. MSE/INSP/12181/2022 dated August 18, 2022
MSE Circular No. MSE/INSP/12192/2022 dated August 22, 2022
MSE Circular No. MSE/INSP/12256/2022 dated September 05, 2022
MSE Circular No. MSE/INSP/12350/2022 dated September 26, 2022
MSE Circular No. MSE/INSP/12328/2022 dated September 21, 2022
MSE Circular No. MSE/INSP/11897/2022 dated June 03, 2022
MSE Circular No. MSE/INSP/12826/2022 dated December 30, 2022
MSE Circular No. MSE/INSP/13033/2023 dated February 10, 2023
MSE Circular No. MSE/INSP/12951/2023 dated January 30, 2023
MSE Circular No. MSE/INSP/12859/2023 dated January 06, 2023
SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/137 dated 06-Oct-2022
MSE Circular No. MSE/INSP/12414/2022 dated October 10, 2022
SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-l/P/CIR/2023/061 dated April 25, 2023

SEBI and Exchange references
MSE Circular No. MSE/INSP/13383/2023 dated April 26, 2023
MSE Circular No. MSE/INSP/13530/2023 dated May 29, 2023
MSE Circular No. MSE/INSP/14261/2023 dated October 06, 2023
MSE Circular No. MSE/INSP/14412/2023 dated November 07, 2023
SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2023/197 dated December 28, 2023
MSE Circular No. MSE/INSP/14667/2023 dated December 29, 2023
MSE Circular No. MSE/INSP/14682/2024 dated January 02, 2024
SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/03 January 12, 2024
MSE Circular No. MSE/INSP/14766/2024 dated January 17, 2024
MSE Circular No. MSE/INSP/14344/2023 dated October 23, 2023
SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/187 dated December 12, 2023
MSE Circular No. MSE/INSP/14584/2023 dated December 13, 2023
MSE Circular No. MSE/INSP/14809/2024 dated January 24, 2024
SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/84 dated June 08, 2023
MSE Circular No. MSE/INSP/13613/2023 dated June 12, 2023
MSE Circular No. MSE/INSP/13700/2023 dated June 23, 2023
MSE Circular No. MSE/INSP/13746/2023 dated July 03, 2023
MSE Circular No. MSE/INSP/13967/2023 dated August 14, 2023
SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 dated November 11, 2022
MSE Circular No. MSE/INSP/12573/2022 dated November 14, 2022
MSE Circular No. MSE/INSP/10917/2021 dated September 23, 2021

5. Banking and DEMAT account operations

- Procedure for segregation of own and clients' funds and securities (in separate accounts)
- Internal controls for use of client bank and client beneficiary accounts only for authorized purposes.

SEBI and Exchange references
MCX-SX Regulation no. 15.1.6.1 (a) & 4.4.13
MCX-SX Regulation no. 15.1.6.2 & 15.1.6.2 (i)
MCX-SX Regulation no. 4.4.16
MCX-SX Regulation no. 15.1.4 (i)
MCX-SX Circular No. MCX-SX/INSP/34/2008 dated November 24, 2008
MCX-SX Circular No. MCX-SX/INSP/949/2013 dated January 16, 2013
SEBI Circular No. Circular No. MIRSD-2016/138 dated 20-Dec-2016 & 22-June-2017
MSE Circular No. MSE/INSP/9892/2020 dated December 21, 2020
MSE Circular No. MSE/INSP/9925/2020 dated December 31, 2020
MSE Circular No. MSE/INSP/9885/2020 dated December 18, 2020
MSE Circular No. MSE/INSP/11076/2021 dated November 01, 2021

SEBI and Exchange references
MSE Circular No. MSE/INSP/11451/2022 dated February 04, 2022
MSE Circular No. MSE/INSP/11591/2022 dated March 17, 2022
MSE Circular No. MSE/INSP/11719/2022 dated April 13, 2022
MSE Circular No. MSE/INSP/11968/2022 dated June 21, 2022
SEBI Circular No. SEBI/HO/MIRSD/MIRSD_DPIEA/P/CIR/2022/83 dated June 20, 2022
MSE Circular No. MSE/INSP/12954/2023 dated January 30, 2023

6. Terminal operations and systems

- Procedure and policy adopted by member before allotment of trading terminals
- Due diligence adopted for password security
- Procedure in place for audit of systems and software
- Periodic updating of version and back up mechanism
- System adopted for data storage, security and access
- Internal controls for certification of users
- Ensuring 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)
- In case where members who have opened terminals abroad, member has complied with the provisions pertaining to 'Terminals Abroad'
- Implementing 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.
- Mechanism should be in place 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.
- Associated persons functioning as compliance officer to obtain certification by passing SICCE within two years from the date of notification and associated persons functioning as compliance officer after the date of notification, to obtain certification by passing SICCE within one year from the date of employment.
- 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).

SEBI and Exchange references
MCX-SX Regulation no. 2.2.1
MCX-SX Regulation no. 2.1.2
MCX-SX Regulation no. 2.2.2
SEBI Circular No. SMDRP/POLICY/CIRCULAR-23/99 dated July 12, 1999
MCX-SX Circular No. MCX-SX/CTCL/8/2008 dated October 08, 2008
SEBI notification LAD /NRO/GN/2009-10/04/163097 dated May 13, 2009
MCX-SX Circular No. MCX-SX/MEM/123/2009 dated May 21, 2009
MCX-SX Circular No. MCX-SX/MEM/162/2009 dated August 10, 2009

SEBI and Exchange references
MCX-SX Circular No. MCX-SX/CTCL/189/2009 dated September 25, 2009
MCX-SX Circular No. MCX-SX/MEM/185/2009 dated September 22, 2009
SEBI Circular No. CIR/MRD/DMS/13/2011 dated November 29, 2011
SEBI Circular No. CIR/MRD/DP/09/2012 dated March 30, 2012
MCX-SX Circular No. MCX-SX/SURV/909/2012 Dated December 14, 2012
MCX-SX Circular No MCX-SX/CTCL/925/2012 Dated December 31, 2012
MCX-SX Circular No. MCX-SX/INSP/996/2013 Dated February 07, 2013
MCX-SX Circular No. MCX-SX/INSP/967/2013 Dated January 25, 2013
MCX-SX Circular No. MCX-SX/CTCL/1101/2013 Dated April 05, 2013
SEBI Circular CIR/MRD/DP/34/2012 dated December 13, 2012
MCX-SX Circular No. MCX-SX/INSP/1028/2013 dated February 20, 2013
SEBI notification no LAD-NRO/GN/202-13/33/1103 dated March 11, 2013
MCX-SX Circular No. MCX-SX/INSP/1057/2013 dated March 13, 2013
SEBI Notification LAD-NRO/GN/2010-11/21/29390 dated December 10, 2010
MCX-SX Circular No. MCX-SX/INSP/1721/2014 dated January 23, 2014
MCX-SX Circular No. MCX-SX/MEM/2576 dated January 21, 2015
MCX-SX Circular No. MCX-SX/INSP/2181/2014 dated September 03, 2014
MSE Circular No. MSE/INSP/12266/2022 dated September 07, 2022
MSE Circular No. MSE/INSP/12337/2022 dated September 22, 2022
MSE Circular No. MSE/INSP/12127/2022 dated August 01, 2022
MSE Circular No. MSE/INSP/12266/2022 dated September 07, 2022
MSE Circular No. MSE/INSP/12337/2022 dated September 22, 2022

7. <u>Management of branches / Authorized Persons and internal control</u>

- System and Policy followed for opening / closing of branch
- Procedure adopted to inform the same to clients
- Periodicity and procedure adopted for inspection of branches / Authorized Persons
- Reporting mechanism and mode of informing the inspection observations to branches / Authorized Persons and Follow up action plan
- Policy of fixing of roles and responsibilities of officials in head office, branches and Authorized Persons office
- Process laid out so as to prevent intermediation
- Documentation of Internal controls and Comments on Internal controls in place
- Verification of Stock broker indemnity insurance policy

- Sharing of commission/brokerage
- Member has taken adequate steps as specified by Exchange circular to review & monitor the Trading Terminals mapped to its branch/AP/Sub Broker

SEBI and Exchange references
Clause 12 (1) of SEBI Act,1992
MCX-SX Regulation no. 4.2.1
MCX-SX Bye-Law 33(a) of Chapter XI
MCX-SX Circular No. MCX-SX/LEG/23/2008 dated October 24, 2008
MCX-SX Circular No. MCX-SX/F&A/22/2008 dated October 27, 2008
MCX-SX Circular No. MCX-SX/MEM/33/2008 dated November 24, 2008
SEBI Circular No. MIRSD/DR-1/Cir-16/09 dated November 6, 2009
MCX-SX Circular No. MCX-SX/MEM/226/2009 dated November 10, 2009
MCX-SX Circular No. MCX-SX/MEM/299/2010 dated February 26, 2010
MCX-SX Circular No. MCX-SX/MEM/210/2009 dated October 26, 2010
MCX-SX Circular No. MCX-SX/MEM/942/2013 dated January 14, 2013
MCX-SX Circular No. MCX-SX/MEM/941/2013 dated January 14, 2013
MSE Circular No. MSE/INSP/8252/2019 dated October 22, 2019
MSE Circular No. MSE/INSP/10854/2021 dated September 04, 2021
MSE Circular No. MSE/INSP/11036/2021 dated October 22, 2021

8. Investor grievance handling

- Mechanism to monitor complaints lodged with branches/Authorsied person
- Maintenance of complaints register
- Redressal mechanism for complaints registered against the member
- Verification of investor grievance registers and email id
- Internal control for verification of complaints received through the designated email –id
- Take adequate to redress grievance within one month
- Inform investor / exchange of the action taken
- Inform dedicated email id for receiving complaints forwarded by the Exchange
- Information about the grievance redressal mechanism as specified by SEBI circular CIR/MIRSD/3/2014 dated August 28, 2014 is displayed at all the offices of the Member for information of the investors

SEBI and Exchange references
MCX-SX Regulation no. 15.1.16
SEBI Circular No. SEBI/MRD/SE/Cir-42/2003 dated November 19, 2003
MCX-SX Circular No. MCX-SX/COMP/53/2009 dated January 27, 2009
SEBI Circular No. MRD/DoP/SE/Cir-10/2009 dated September 03, 2009
MCX-SX Circular No. MCX-SX/ISC/175/2009 dated 8-September-2009
SEBI Circular No. CIR/MIRSD/18/2011 dated August 25, 2011
SEBI Circular No. CIR/MIRSD/2/2012 dated February 15, 2012
SEBI Circular No. CIR/MRD/ICC/30/2013 dated September 26, 2013
MCX-SX Circular No. MCX-SX/IG&ARB/1472/2013 dated September 30, 2013
MCX-SX Circular No. MCX-SX/IG&ARBN/1535/2013 dated October 23, 2013
MCX-SX Circular No. MCX-SX/IG&ARBN/2270/2014 dated October 8, 2014
SEBI circular CIR/MIRSD/3/2014 dated August 28, 2014
SEBI circular SEBI/HO/MIRSD6/CIR/P/2017/20 dated March 10, 2017
SEBI circular SEBI/HO/OIAE/IGRD/CIR/P/2020/20 dated August 13, 2020
SEBI circular SEBI/HO/OIAE/IGRD/CIR/P/2020/208 dated October 22, 2020
SEBI circular SEBI/HO/MRD1/ICC1/CIR/P/2021/625 dated September 02, 2021
SEBI circular SEBI/HO/MIRSD/DOP/CIR/P/2021/676 dated December 02, 2021
MSE Circular No. MSE/ISC/11192/2021 dated December 07, 2021
MSE Circular No. MSE/ISC/11266/2021 dated December 22, 2021
MSE Circular No. MSE/ID/12155/2022 dated August 08, 2022
SEBI circular SEBI/HO/OIAE/OIAE_IAD-1/P/ CIR/2023/135 dated August 04, 2023
MSE Circular No. MSE/ISC/14628/2023 dated December 22, 2023

9. Maintenance of Books of Accounts

- Prescribed books of accounts, registers and records are maintained Exchange wise, with the required details and for the stipulated period as per regulatory requirement
- Internal controls on the process for taking approval of the Exchange
- Analysis of financial reports
- All Entries for receipt and payment/transfer of securities are duly recorded in the register of securities.

SEBI and Exchange references
MCX-SX Regulation no. 15.1.3
MCX-SX Regulation no. 15.1.4
MCX-SX Regulation no. 15.1.4 (g)
MCX-SX Regulation no. 15.1.5
MCX-SX Regulation no. 15.1.13
MCX-SX Regulation no. 2.1.16 (a) (c) (d)
MCX-SX Circular No. MCX-SX/MEM/30/2008 dated November 19, 2008

SEBI and Exchange references
MCX-SX Circular No. MCX-SX/INSP/34/2008 dated November24, 2008
MCX-SX Circular No. MCX-SX/COMP/55/2009 dated January 27, 2009
MCX-SX Circular No. MCX-SX/MEM/275/2010 dated January 28, 2010
SEBI Circular No. CIR/MIRSD/18/2011 dated August 25, 2011
SEBI Circular No. Cir/MIRSD/9/2010 dated November 04, 2010
MCX-SX Circular No. MCX-SX/INSP/471/2010 dated November 10, 2010
MCX-SX Circular No. MCX-SX/INSP/989/2013 dated February 04, 2013
Regulation no. 7.1.4 (e) of the (CM segment)
MSE Circular No. MCX-SX/INSP/949/2013 dated January 16, 2013
MSE Circular No. MSEI/INSP/4428/2016 dated August 16, 2016
MSE Circular No. MSEI/INSP/4433/2016 dated August 19, 2016
MSE Circular No. MSE/INSP/7872/2019 dated July 04, 2019
MSE Circular No. MSE/INSP/8538/2020 dated January 14, 2020
MSE Circular No. MSE/INSP/11479/2022 dated February 14, 2022
MSE Circular No. MSE/INSP/12048/2022 dated July 11, 2022
MSE Circular No. MSE/INSP/11897/2022 dated June 03, 2022
MSE Circular No. MSE/MEM/12665/2022 dated Nov 30, 2022

10. **Systems & Procedures pertaining to Prevention of Money Laundering Act, PMLA, 2002**

- System in place that allows continuous monitoring of transactions
- Process of generation and monitoring alerts
- Process for identifying STR (Suspicious Transaction Report) and reporting the same to FIU-India
- Processes for verification of alerts with KYC details

SEBI and Exchange references
SEBI Circular No. CIR/ISD/AML/3/2010 dated December 31, 2010
MCX-SX Circular No. MCX-SX/INSP/505/2011 dated January 6, 2011
MSE Circular No. MCX-SX/ID/1053/2013 dated March 8, 2013
MSE Circular No. MCX-SX/INSP/1824 /2013 dated March 21, 2014
MSE Circular No. MCX-SX/INSP/2030/2014 dated July 01, 2014
MSE Circular No. MSEI/INSP/3437/2015 dated October 12, 2015
MSE Circular No. MSE/INSP/5786/2017 dated November 23, 2017
SEBI Circular No. SEBI/HO/MIRSD/CIR/P/2018/104 dated July 04, 2018
SEBI Circular No. SEBI/HO/MIRSD/ DOP/CIR/P/2019/113 dated October 15, 2019
SEBI Circular No. SEBI/HO/MIRSD/DOP/CIR/P /2019/123 dated November 05, 2019
SEBI Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2021/36 dated March 25, 2021
MSE Circular No. MSE/INSP/11878/2022 dated May 30, 2022
MSE Circular No. MSE/INSP/12290/2022 dated September 13, 2022

11. Transfer of trades

- Procedure and system adopted for transfer of trades in the back office
- Internal controls for transfer of trades

SEBI and Exchange references
MCX-SX Regulation no. 3.6
MCX-SX Circular No. MCX-SX/COMP/117/2009 dated 13-May-2009
SEBI circular no: CIR/DNPD/01/2011 dated January 3, 2011
MCX-SX Circular No. MCX-SX/ID/537/2011 dated March 17, 2011
SEBI circular no: CIR/DNPD/06/2011 dated July 05, 2011
MCX-SX Circular No. MCX-SX/ID/613/2011 dated July, 29 2011
MCX-SX Circular No. MCX-SX/ID/629/2011 dated August 26, 2011

12. Proprietary Trading

- Disclosure of proprietary trading to clients
- Prior permission for pro-trading from multiple locations

SEBI and Exchange references:
Regulation No. 4.4.6
MCX-SX Circular No. MCX-SX/COMP/53/2009 dated January 27, 2009
Regulation no. 4.5.3 (k)
SEBI circular no: SEBI/MRD/SE/Cir- 42 /2003 dated November 19, 2003
SEBI circular no: SEBI/HO/CDMRD/DMP/CIR/P/2016/49 dated April 25, 2016

13. Internet Trading

- Procedure followed for allotting of user id and password, change of password etc.
- Internal controls for internet trading

SEBI and Exchange references
SEBI Circular No. SMDRP/POLICY/CIR-06/2000 dated 31st January 2000
MSE Circular No. MCX-SX/COMP/57/2009 dated January 27, 2009
MCX-SX Circular No. MCX-SX/CTCL/306/2010 dated March 9, 2010
SEBI Circular No. CIR/MRD/DP/8/2011 dated June 30, 2011
MCX-SX Circular No MCX-SX/CTCL/925/2012 Dated December 31, 2012

14. <u>Execution of Power of Attorney (POA)</u>

- Process adopted for execution of POA
- Internal control adopted by the member to ensure that POA is not mis-utilised.

SEBI and Exchange references:
SEBI Circular No. CIR/MRD/DMS/13/2010 dated April 23, 2010
MSE Circular No. MCX-SX/INSP/341/2010 dated April 27, 2010
SEBI Circular No. CIR/MRD/DMS/28/2010 dated August 31, 2010
MSE Circular No. MCX-SX/INSP/428/2010 dated September 01, 2010
MSE Circular No. MCX-SX/INSP/953/2013 dated January 17, 2013
SEBI Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/158 dated August 27, 2020
MSE Circular No. MSE/INSP/11687/2022 dated April 06 2022
MSE Circular No. MSE/INSP/12016/2022 dated July 01 2022

15. <u>Operations of Professional Clearing member/ Members clearing trades of other trading members</u>

- Requirements in relation to Clearing and Settlement of trades by Professional Clearing members / Members Clearing trades of other trading members

SEBI and Exchange references:
MSE Circular No. MCX-SX/C&S/63/2009 dated February 16, 2009
CC Circular No. MCCIL/MEM/1386/2019 dated August 01, 2019
SEBI Circular No. SEBI/HOMRD2_DCAP/CIR/2020/0598 dated 20 July 2021
CC Circular No. MCCIL/MEM/1386/2019 dated August 01, 2019
SEBI Circular No. SEBI/HO/MRD2_DCAP/CIR/2020/0598 dated 20 July 2021

16. <u>Other Items</u>

SEBI and Exchange references
MSE Circular No. MSE/INSP/11510/2022 dated February 22, 2022
MSE Circular No. MSE/INSP/13514/2023 dated May 24, 2023
SEBI Circular No. SEBI/HO/MIRSD/DoP/P/CIR/2022/46 dated April 06, 2022
SEBI Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/86 dated June 13, 2023
SEBI Circular No. SEBI/HO/MIRSD/FATF/P/CIR/2023/0144 dated August 11, 2023

Note:

The above list is indicative in nature and may not be an exhaustive list. Therefore, auditors/members are advised to refer to the circulars issued by SEBI/MSE from time to time.