

Department: Inspection	Segment: All
Circular No: MSE/INSP/17974/2025	Date: Oct 14, 2025

Subject: List of violations and Disciplinary Action on Authorised Person observed during Inspection

To All Members,

This has reference to Exchange Circular No. MSE/INSP/15898/2024 dated August 30, 2024, regarding the Framework for supervision of Authorised Persons (APs) & Branches by Trading Members wherein the minimum / indicative scope, criteria and guidelines of AP Inspections, along with indicative methodology was provided by the Exchange.

In addition to the above, the Exchanges have jointly specified the indicative disciplinary actions to be applied by Trading Members against their Authorised Persons (APs) in cases of non-compliance identified during AP inspections. However, while taking action against APs, the Trading Members shall consider the nature and significance of the non-compliance observed during inspection of APs and take appropriate actions over and above the indicative disciplinary actions specified by Exchanges as Trading Members are accountable for all acts of omission and commission of the authorized person.

Areas of violations are categorized into A, B and C and for each category indicative action is prescribed as below:

Violation Category	Indicative Action
A	Termination on Disciplinary grounds, informing all clients of the AP, withhold money due to the AP, and public notification. (for violations mentioned in point no. 2, 4, 5, 6, 8 and 9 of Annexure A, it is mandatory to file police complaint for termination of AP on disciplinary grounds).
B	Issuance of a warning Letter, with instruction to avoid repeat violations, with termination on disciplinary grounds in case of repeated offenses.
C	Issuance of an Advisory Letter, with instruction to avoid repeat violations. In case of repeat violation, warning letter to be issued.

The detailed list of inspection areas and its categorization is attached as **Annexure A**.

All Members are advised to take note of the above & comply.

In case of any query kindly contact Inspection Department on (022) 6112 9000, Extn. 9039, 9040, 9041, 9042 & 9078 or mail on 'compliancemsx@msei.in' or 'inspectionmsx@msei.in'.

For and on behalf of
Metropolitan Stock Exchange of India Limited

Sunil Shendge
Manager – Inspection Department

Metropolitan Stock Exchange of India Limited

Annexure A - Detailed list of inspection areas and its categorization

Sr. No	Scope of inspection (for a particular inspection period)	Indicative Methodology	Violation Category
1	Whether all clients are registered directly with the Trading Member only	Examine the books of account (demat and bank statements) during the inspection period to identify any clients not registered with the Trading Member.	A
2	There is no movement of Funds and securities between the clients and AP.	i) Examine all Demat statements and bank accounts of the AP during the inspection period. ii) Obtain a written confirmation from the AP that all their demat and bank accounts have been disclosed to the Trading Member. iii) If any other account of an AP is identified while examining bank and demat accounts, seek details of those accounts as well.	A
3	There are no fixed payments at regular intervals to the clients mapped to AP.	Examine all client's ledgers during the inspection period to identify any fixed periodic payments.	A
4	There are no cash dealings done with clients by AP.	Examine all bank accounts of the AP during the inspection period for any cash deposits / dealings with clients.	A
5	The AP is not involved in any fund-based activities / collecting deposits from investors / unauthorised trading or any other such schemes.	Conduct mystery shopping, surprise visits, web searches, and take regular feedback from the clients of the AP to detect any irregularities	A
6	The AP is not involved in any illegal/dabba/paper trading.	Conduct mystery shopping, surprise visits, web searches, and take regular feedback from the clients of the AP to detect any irregularities	A
7	The AP has not dealt with any unregistered intermediary on behalf of its clients/self.	Conduct mystery shopping, surprise visits, web searches, and take regular feedback from the clients of the AP to detect any irregularities.	A
8	The AP is not involved in accepting deposits from the public and giving assured returns to their clients.	Conduct mystery shopping, surprise visits, web searches, and take regular feedback from the clients of the AP to detect any irregularities.	A
9	Complaints received against AP pertaining to Assured Returns / Unauthorised Trading / Dabba Trading / associated with unregistered intermediary.	Review all complaints received against the AP and conduct an analysis.	A or B depending on outcome of complaint
10	The AP does not offer any incentives to clients for opening trading accounts	Conduct mystery shopping, surprise visits, web searches, and take regular feedback from the clients of the AP to detect any irregularities.	B

11	AP has sought any authorisation to trade on behalf of its clients.	Conduct mystery shopping, surprise visits, web searches, and take regular feedback from the clients of the AP to detect any irregularities.	A
12	Advertisements for soliciting business are not issued by the APs in newspapers / pamphlets / journals / magazines / emails including social media like Facebook, Instagram, telegram channels etc., without seeking appropriate approvals from the Exchange, through the Trading Member. This includes not publishing performance returns etc.	Scan all social media accounts, newspapers, and print media platforms etc.	B - advertisement issued by AP is not in line with advertisement code. C - advertisement issued by AP is in line with advertisement code.
13	All AP terminals are as per the information reported to the Exchange.	To verify that all terminals in the main office and all branches of the AP aligns with the details reported to the Exchange.	A or B depending on gravity of observation
14	Trading terminals are operated by approved and certified users.	To verify that all terminals in the main office and all branches of the AP are operated by individuals approved/certified as reported to the Exchange	B
15	Adequate systems, including voice recording, have been put in place, with a view to ensure recording of order placement from clients. Trading Members must ensure that APs who do not have trading terminals assigned to them, cannot place trades on behalf of the Trading Member's clients.	To verify if the system is installed in the main office & all branches of the AP if any	B with direction to comply within specified time
16	Documents like contract notes, statement of funds, daily margin statement are not generated and issued by the AP. However, AP may provide administrative assistance in procurement of documents from the Trading Member, after maintaining proper records of the same.	To verify the process followed by the AP to fulfil its daily operations.	A
17	The AP has not dealt with / or associated with any other Trading Member/AP on behalf of its clients/self on the same Stock Exchange.	i) To review all bank accounts of AP during the inspection period. ii) Member to seek declaration signed by the AP and retain it for the future reference.	B
18	The AP has the necessary infrastructure like adequate office space, equipment,	Physical verification during Inspection.	B

	and manpower to effectively discharge the activities on behalf of the Trading Member.		
19	Proper segregation and demarcation are maintained at AP office.	Physical verification during Inspection.	B
20	Notice board of the Trading Member containing all details/information prescribed from time to time, are displayed at the AP/s location	To ensure that displays in the main office and all branches of the AP adhere to the prescribed guidelines.	C
21	SEBI registration certificate of the Trading Member and registration letter issued by the Exchange is displayed at the location.	To ensure that displays in the main office and all branches of the AP adhere to the prescribed guidelines.	C
22	As required by SEBI circular CIR/MIRSD/3/2014 dated August 28, 2014, information about the grievance redressal mechanism available to investors is prominently displayed at the location.	To ensure that displays in the main office and all branches of the AP adhere to the prescribed guidelines.	C
23	Branch/AP records/data are properly maintained with confidentiality in a secure manner including sufficient backup.	To verify the process followed by the AP in carrying out its daily operations.	C
24	In case of change/shifting of location of AP/Branch, the following is ensured:		
	a) Notice Board and applicable SEBI registration certificates are immediately put up at the new location.	To ensure that displays comply with the prescribed guidelines.	C
	b) The new location, including details of terminals if any, have been duly reported to the Exchange, and the old location, including terminals at the old location if any have been deactivated.	Maintenance of trail of reporting of terminals / communication for change in location.	A or B depending on gravity of observation
	c) At the new location, adequate systems including voice recording, display of Notice Board and SEBI Registration certificates, and terminals etc. have been promptly installed to ensure the smooth functioning of business operations and the recording of order placements from clients	To verify if the system is installed in the main office & all branches of the AP if any.	B with direction to comply within specified time
25	Any changes in the AP's contact details, such as registered / communication address, email address, mobile number or any changes in the Directors/ Partners of AP, are not reported/ incorrectly reported to the Members.	Maintenance of communication by AP to Member.	B
26	The AP's mobile number, and email address are not mapped to any of its client in UCC uploaded to Exchange.	To verify with the Member database of all the clients of the AP's.	A