

Annexure IV

Indicative Processes/guidance for verification of respective areas:

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

- Checks and balances in place for registration of constituents as per SEBI guidelines.
- Systems and procedures put in place by the 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
- Trading allowed only after validation of client KYC by KRA
- Trading preferences have been obtained from the new clients
- Maintenance of website and reporting of URL to the Exchange by Trading Member.
- Implementation of guidelines for online account closure of the trading account
- Verification of KYC/agreement requirement for the client who availed DMA (Direct market access trading facility)

2. Order management and risk management systems

- Procedure adopted for receipt of orders from clients
- Mechanism for order management and execution
- Clarification regarding modes of order placement by Trading Members.
- 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.
- Procedure adopted for calculation and reporting client funding.
- Procedure adopted for providing Direct Market Access (DMA) facility.
- Display of Risk Disclosure on the login page of trading account in F&O segment.
- Mechanism to validate that the request for freezing/blocking.
- Implementation of the provisions of Framework of voluntary freezing/blocking the online access of the trading account to their clients.
- Formulated policy on voluntary freezing/blocking the online access of the trading account as a part of Risk management policy.
- Communication to New/Existing clients for policy on voluntary freezing/blocking the online access of the trading account.
- Procedure for tracking suspicious activity is observed in the trading account.
- Implementation of Guidelines on Margin collection & reporting
- Implementation of Guidelines on Treatment of Inactive Trading Account.
- Verification of initial public offering (IPO) bid placement

3. Contract notes, Client margin details and Statement of accounts

- 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.
- Procedure for using facsimile signature on physical contract notes.
- Procedure for checking the communication of MITC (Most Important Terms and conditions to their clients.
- Implementation of Handling of Good Till Cancelled Orders offered by Members to Clients

4. Dealing with clients' funds, securities and commodities

- 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.
- 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.
- Verification of dividend and other corporate benefits credited to clients account without any delay.
- Verification of settlement of all client funds as per the Settlement calendar prescribed by the Exchanges and reporting to the Exchange on the requirement pertaining to submission of UCC wise settlement detail.
- Verification of data reported to the Exchange under Risk based supervision, security holding balances and segregation & monitoring of collateral at client level.
- Verification of compliance with the provisions related to upstreaming of client funds by Members to CM/CCs.
- Verification of pay-out of funds to clients in excess of their balances

- Verification of clients' clear credit balances not placed with CC on account of justifiable reasons and the said clear credit balances are reported in the segregation file as "Retained with TM" or "Retained with CM".
- Maintenance of evidence of request of pay out received from the clients
- Verification of shortages arising from inter se netting of positions between clients through the auction process as specified by CC
- Adoption of Standardised, Validated and Exclusive UPI IDs for Payment Collection by SEBI Registered Intermediaries from Investors

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.

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

7. Management of branches / AP and internal control

- 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 / sub brokers

- Reporting mechanism and mode of informing the inspection observations to branches / sub brokers and follow up action plan
- Policy of fixing of roles and responsibilities of officials in head office, branches and sub-brokers office
- Process laid out to prevent unregistered intermediaries
- Documentation of Internal controls and Comments on Internal controls in place
- Verification of Stock broker indemnity insurance policy
- Sharing of commission/brokerage
- Verification of AP inspection reports for completeness of indicative scope and whether Member has reported the action taken on APs to the Exchange

8. Investor grievance handling

- Mechanism to monitor complaints lodged with Branches/APs
- Maintenance of complaints register
- Redressal mechanism SCORE 2.0 for complaints registered against the member
- Verification of investor grievance register and email id
- Internal control for verification of complaints received through the designated email id
- Creation of separate page on Member website for Investor Charter
- Compliance with the mechanism of Online Dispute Resolution.
- System for Protect the investor from unauthorized schemes/frauds due to impersonation.

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
- Compliance with Fit and Proper Criteria as prescribed by SEBI/Exchange from time to time
- Intimation of details of Politically Exposed Persons (PEP)

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

11. Transfer of trades

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

12. Margin Trading

- Procedure and system in place as per regulatory requirements with respect to execution of agreements and sources of funds for the Member.

13. Proprietary Trading

- Member has disclosed to his clients about pro trading
- Proprietary losses have been met with own funds

14. Internet Trading

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

15. Execution of Power of Attorney (POA)

- Process adopted for execution of POA
- Internal control adopted by the member to ensure that POA is not mis utilized.
- Execution of 'Demat Debit and Pledge Instruction' (DDPI) for transfer of securities towards deliveries / settlement obligations and pledging / re-pledging of securities

16. Securities Lending & Borrowing Scheme

- Member has opted specific approval and complied all the regulatory requirement related to SLBM

17. Other items

- Changes related to address and contact details of trading member intimated to Exchange
- Exchange market data has been used for legitimate purpose
- Information related to Directors/KMP has been correctly provided
- Adverse comments in Statutory Audit report have been considered
- Member has not borrowed funds from the clients, except from those clients who are also director, associate or group company to meet the working capital requirements by the trading member.
- Updation of details of KMP to the Exchange as per Exchange circular time to time.
- Compliance with provisions related to Execution only platforms.
- Verifying compliance with the distribution of third-party products by Trading Members.
- Verification of direct/indirect association of persons regulated by the Board, MIIs, and their agents with persons engaged in prohibited activities

18. Compliances related to Online Bond Platform

- Appointment of Company Secretary as Compliance Officer
- Appointment of at least two qualified key managerial personnel with experience of at least three years in the securities market
- Compliance with Know Your Client (KYC) requirements and verify the identity of its investors and sellers
- Compliance with the minimum disclosure requirements as specified in SEBI circular SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2022/154 dated November 14, 2022
- Adequate grievance redress mechanism for redressal of grievances of the investors within 30 days from the date of the receipt of the complaint.

19. Additional surveillance obligations (Applicable for TMs where the no. of active UCCs is greater than 2000)

- Adherence to Additional surveillance obligations

20. Separate Business Units (SBU)

- Compliance with the provisions of SEBI Circular on Separate Business Units (SBU) to access Negotiated Dealing System-Order Matching (NDS-OM) for trading in Government Securities

21. Compliance status of last inspection carried out by SEBI/ Exchanges/ Internal Auditor

- Verification of administrative warning letter from SEBI
- Verification of SEBI Inspection reports, and Exchange Inspection reports

SEBI and MSE Circular references:

Along with the below mentioned Circular references, Members are requested to also refer relevant provisions of SEBI Act, 1992, Securities Contracts (Regulation) Act 1956, Securities Contracts (Regulation) Rules 1957, SEBI (Stock Brokers) Regulations, 1992 and various circulars of SEBI and with the Rules, Bye laws, Regulations of various circulars issued by the Stock Exchange time to time.

SEBI / MSE	Particulars	Circular Ref.	Date
SEBI	Master Circular for Stock Brokers	SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90	17-06-2025
SEBI	Margin obligations to be given by way of Pledge/Re-pledge in the Depository System	SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/82	03-Jun-2025
		SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/118	18-Aug-2025
SEBI	Adoption of Standardised, Validated and Exclusive UPI IDs for Payment Collection by SEBI Registered Intermediaries from Investors	SEBI/HO/DEPA-II/DEPA-II_SRG/P/CIR/2025/86	11-Jun-2025
SEBI	Relaxation on geo – tagging requirement in India for NRIs while undertaking re-KYC	SEBI Circular ref. no.HO/38/30/12(1)2025-MIRSD-SEC-FATF	10-Dec-2025
MSE	Master Circular – Inspection	MSE/INSP/18969/2026	30-04-2026
MSE	Margin obligations to be given by way of Pledge/Re-pledge in the Depository System	MSE/INSP/17305/2025	06-Jun-2025
		MSE/INSP/17669/2025	20-Aug-2025
MSE	Issuance of Daily Margin Statement	MSE/INSP/17341/2025	13-Jun-2025
MSE	Monitoring corrective actions taken by the Trading Members pursuant to Inspection by SEBI	MSE/INSP/17424/2025	26-Jun-2025
MSE	List of violations and Disciplinary Action on Authorised Person observed during Inspection	MSE/INSP/17974/2025	14-Oct-2025
MSE	Guidelines in pursuance of amendment to SEBI KYC (Know your client) Registration Agency (KRA) Regulation, 2011	MSE/INSP/17785/2026	12-Sept-2026
MSE	Telecom Regulatory Authority of India (TRAI) – usage of designated numbering series (1600xx & 140xx) for service, Transactional & promotional calls-regarding	MSE/MEM/18997/2026	06-May-2026
MSE	Revision in STP INF515 Format	MSE/INSP/18816/2026	31-Mar-2026
MSE	Clarification to Rule 8(1)(f) and 8(3)(f) of Securities Contracts (Regulation) Rules, 1957	MSE/INSP/19259/2026	25-Jun-2026

MSE	Clarification regarding implementation of "@valid" UPI IDs	MSE/MEM/19545/2026	12-Aug-2026
MSE	Ease of doing business measures – Relaxations in certain reporting requirements for certain Stockbrokers and doing away with the requirement of reporting of demat account	MSE/INSP/18782/2026	24-Mar-2026
SEBI	Ease of Doing Investment (EoDI)-Disclosure of registered name and registration number by SEBI regulated entities and their agents on Social Media Platforms(SMPs)	HO/(79)2026-MIRSD PODMMC	26-Feb-2026
MSE	Ease of Doing Investment (EoDI)-Disclosure of registered name and registration number by SEBI regulated entities and their agents on Social Media Platforms(SMPs)	MSE/MEM/18690/2026	04-Mar-2026
SEBI	Norms for sharing and usage of price data for educational purposes	HO/47/17/12(11)2025-MRD POD3/I/11107/2026	08-May-2026
SEBI	Modification in the regulatory framework for Online Bond Platform Providers (OBPPs) including measures for promoting ease of doing business	HO/17/11/(2)2026-DDHS POD1/I/18769/2026	14-Aug-2026

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.