



COMPLIANCE GUIDE

(FOR THE MEMBERS OF INDIAN COMMODITY EXCHANGE LTD)

OCTOBER 2019

INSPECTION DEPARTMENT

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PREFACE

Rules, Bye Laws and Business Rules of Indian Commodity Exchange Ltd (ICEX) and Circulars issued by ICEX and Securities and Exchange Board of India (SEBI) require the Members of ICEX to comply with certain requirements relating to their functions in commodities derivatives market. This guide is a compilation of relevant sections and provisions of the above mentioned Rules, etc. The guide is arranged topic- wise and further segregation is made at sub-topic level wherever possible for the convenience of the readers.

As per the Exchange's Circular no. ICEX/MEM/2019/0341 dated March 09, 2019, it is mandatory for every member to appoint a Compliance Officer who shall be responsible for monitoring the compliance of the member in respect of various circulars, guidelines, notifications, etc. issued by the Exchange / SEBI or any other relevant authority from time to time. This guide will be particularly useful for the Compliance Officers/Compliance team of the Members.

For further clarification, feed-back and suggestions on enhancement / improvement of this guide you may contact Inspection Team on **022 40381528/1531/1589** or send an email at inspection@icexindia.com.

DISCLAIMER

This Compliance Guide is not an exhaustive reference for all compliance related issues. It mainly attempts to guide the Members regarding requirements relating to client protection which are examined during inspections by the Exchange. This guide provides information, solely as a reference manual and it is not held out that this guide is exhaustive. Members are advised to read this guide along with circulars issued from time to time as well as the Bye-Laws, Rules and Business Rules of the Exchange.

This guide includes Circulars issued by ICEX up to September 2019 and Members should also refer to the circulars issued after that date. The titles given in the guide are meant to draw the attention of the readers and do not purport to summarize the contents of the circulars.

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CHAPTER I - MEMBERSHIP REQUIREMENTS

➤ Submission of Annual Returns

As per Enhanced Supervision guidelines mentioned in SEBI circular reference no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, members are required to submit financial statements in the format as prescribed under the Companies Act, 2013 irrespective of whether they fall under the purview of Companies Act, 2013 or not.

Applicability: All the Members who have applied for SEBI registration and have been activated/enabled for trading till March 31 are required to submit the Annual Returns* as per the prescribed formats.

Annual Returns for the financial year ended March 31, 2019, comprising of the following, latest by

- a) Audited Financial Statements and Audit Reports for FY 2018-2019;
- b) Audited Net worth Certificate & Computation of Net worth as on March 31, 2019;
- c) Details of Directors/ Partners/ Proprietor;
- d) Shareholding Pattern/ Partnership Pattern (Not applicable to Individual/Proprietor);
- e) Details of Dominant Promoter (Not applicable to Individual/Proprietor);
- f) Change in Contact Details,

Actions for Non-compliance for not meeting the Minimum Networth Requirement and Late/Non-submission of Annual Audited Accounts/ Returns and data with respect to monitoring of financial strength of Members will be taken as specified by the Exchange in Circulars ref. ICEX/MEM/2017-080 dated November 21,2017 read with Exchange Circular no. ICEX/MEM/2019/473 dated August 19, 2019 and Exchange circular No. ICEX/MEM/2019/464 dated July 31, 2019,

➤ Half Yearly Net worth certificate

Members are required to submit Half Yearly Networth Certificate and Computation of Networth to the Exchange:

- 1) within 60 days for half year ending September 30th and Half year ending March 31st.
- 2) strictly in L. C. Gupta Format

Members are required to ensure that minimum amount of net-worth as prescribed by the Relevant Authority/Exchange from time to time is maintained throughout the year. Minimum Net worth Requirement is as given below:

Sr. No.	Member Type	Networth Requirement (as per L C Gupta Format)
1	Trading Member -TM	Rs. 15 Lakh

2	Self-Clearing Member	Rs. 1 Crore
3	Trading & Clearing Member - TCM	Rs. 3 Crore
4	Professional Clearing Member - PCM	Rs. 3 Crore

Actions for Non-compliance for not meeting the Minimum Net worth Requirement and Late/Non-submission of Net worth will be taken as specified by the Exchange in Circulars ref. Exchange in Circulars ref. ICEX/MEM/2017-080 dated November 21, 2017 read with Exchange Circular no. ICEX/MEM/2019/473 dated August 19, 2019

- **Participation of Members of the Exchange to act as “Authorised Stock Brokers” (ASB)**
SEBI vide its Circular no. SEBI/HO/CDMRD/ DMP/CIR/P/2018/134 dated October 09, 2018 have permitted the participation of Eligible Foreign Entities (EFEs) in the commodity derivatives market. As per the SEBI Circular, the EFEs desirous of taking hedge positions in Indian commodity derivatives market shall approach Authorised Stock Brokers (ASBs) from amongst the Brokers which are registered under SEBI (Stock broker and sub-brokers) Regulations, 1992 having minimum net-worth of INR 25 crores and are authorized by the Exchanges for opening of such accounts.

Any existing eligible Member (in terms of the aforesaid SEBI circular) desirous to act as an ASB shall apply to the Exchange-Membership Department for obtaining authorization of the Exchange, with the following documents:

Application Form and Undertaking

Net worth Certificate and Computation of Net worth (*not older than six months*)

- **Change in Shareholding Pattern:**

Exchange has issued Circular ICEX/MEM/2017-016 dated February 20, 2017 with respect to the Change in Shareholding Pattern (including with and without change in control) carried out by the Members. It may be noted that, any request for change in shareholding pattern leading to change in control shall be submitted to SEBI for their prior approval.

Prior approval of the Exchange to be sought for carrying out any change in the shareholding / sharing pattern, except for listed corporate members of the Exchange. Listed corporate members shall seek prior approval of the Exchange for carrying out change in shareholding pattern leading to change in control. However, the listed corporate members of the Exchange are required to submit the quarterly shareholding pattern, either in the prescribed format of the Exchange or as submitted under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 to the Exchanges where the entity is listed.

The Dominant Promoter Group (DPG) of the Member shall hold 51% shares of the total shareholding. Corporate entities are also allowed to form part of DPG. Any person or persons holding 51% on

their/his own or together with the following will be eligible to constitute its dominant promoter group:

1. their/his relatives as defined under Companies Act and/or;
2. the person(s) falling within the definition of 'Control' under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and/or;
3. the support of strategic investors in such corporate member.

Inclusion or addition of another shareholder as a part of DPG shall not be treated as change in control so far as the earlier groups of dominant shareholders hold the controlling stake, subject to a condition that the approved inclusion continues to be a part of the dominant promoter group for a period of at least 3 years.

Failure to comply with the provisions made in regard to change in shareholding pattern may attract provisions of as per Rules, Bye Laws and Regulation of Exchange.

➤ **Transfer of business pursuant to Merger / De-merger / Amalgamation / Transfer of Membership:**

Securities and Exchange Board of India amended the Securities and Exchange Board of India (Stock – Brokers and Sub – Brokers) Regulations, 1992 on July 13, 2017 by omitting Regulation 18 C which was related to “Restriction on activities by stock brokers for the purpose of integration of broking activities.” Also clarifications have been issued by the Board vide its circular no. SEBI/HO/MIRSD/MIRSD1/CIR/P/2017/104 for permitting the integration of the broking activities. Prior approval of the Exchange/SEBI shall be obtained. It should be noted that the stated processes are required to be completed.

➤ **Advertisements**

- Members are required to obtain prior approval of the Exchange before issue/release of the advertisement in public domain. Format for seeking advertisement approval is available at Exchange website provided in. <https://www.icexindia.com/membership/compliance>.
- Members are also required to adhere to Guidelines to determine 'Celebrity Status' in revised Code of Advertisement as per SEBI/Exchange guidelines.
- Failure to seek permission from the Exchange shall attract penal provisions as per Circular no. ICEX/MEM/2017-080 dated November 21, 2017.

➤ **Change in Designated Director / Managing Partner / Designated Partner**
Corporate / Partnership Firms / LLP Members of the Exchange shall take prior approval from the Exchange and furnish necessary documents for any change in the Designated Directors / Managing Partner / Designated Partners. Designated Director / Managing Partner / Designated Partner should have:

- Age of at least 21 years.
- minimum qualification of 12th or equivalent examination from an institution recognized by the Government.
- 2 years of work experience in derivatives trading or securities market or commodity derivatives trading, as applicable

Member shall have at least 2 (two) Designated Directors or 2 (two) Managing Partners or 2 (two) Designated Partners, as the case may be, at all points of time meeting the eligibility criteria including education qualification as specified by SEBI/ Exchange from time to time.

➤ **Change in Trade Name:**

The Members of the Exchange are required to obtain prior approval from the Exchange for effecting change of name as per the procedure specified by the Exchange from time to time.

➤ **General Points:**

- Any changes such as contact number, office address, authorised signatory, etc. has to be informed to the Exchange as and when there are any changes.
- Members shall designate one contact email ID as “Designated Email ID”. The Exchange would be sending all email communications to the said Email ID. Also, all emails received from the Members’ specified “Designated Email ID” would be considered as official communications from the Member.

➤ **Appointment of Authorized Person**

As per Exchange Circular ICEX/MEM/2017-015 dated February 18, 2017 and Business Rule 1:

- i. Members of the Exchange may appoint one or more Authorized Persons after obtaining specific prior approval from the Exchange concerned for each such person.
- ii. The approval as well as the appointment shall be for specific segment of the Exchange.

• **Eligibility for Authorized Person:**

As per Exchange Circular ICEX/MEM/2017-015 dated February 18, 2017 and Business Rule 1.

a. **An individual** is eligible to be appointed as “Authorised Person” ifhe:

- is a citizen of India;
- is not less than 18 years of age;
- has not been convicted of any offence involving fraud or dishonesty;

- has a good reputation and character;
 - has passed at least 10th standard or equivalent examination from an institution recognized by the Government; and
- b. **A partnership firm**, LLP or a body corporate is eligible to be appointed as Authorised Person if:
- all the partners or directors, as the case may be, comply with the requirements contained in clause 2.1 .a. above.
 - the object clause of the partnership deed or of the Memorandum of Association contains a clause permitting the person to deal in securities business.
- c. **Infrastructure:** The Authorised Person must have necessary infrastructure, viz., adequate office space, equipment and manpower to effectively discharge the activities on behalf of the Member.
- d. **Certification:** The approved users and/or sales personnel of Authorised Persons shall have the necessary certification of the respective segments at all points of time.
- e. The Member's Obligations with respect to Authorized Person:
- The Member shall be responsible for all acts of omission and commission of his Authorised Person(s) and/or their employees, including liabilities arising there from.
 - If any trading terminal is provided by the Member to an "Authorised Person", the place where such trading terminal is located shall be treated as branch office of the Member.
 - The Member shall display at each such branch office, additional information such as, particulars of Authorised Person in charge of that branch, time lines for dealing through Authorised Person, etc. as may be specified by the Exchange.
 - The Member shall notify changes, if any, in the Authorised Person to all registered clients of that branch at least 30 days before the change.
 - The Member shall conduct periodic inspection of the branches assigned to Authorised Persons and records of the operations carried out by them.
 - The client shall be registered with the Member only. The funds and securities of the clients shall be settled directly between the Member and client. All documents like contract notes, statement of funds and commodities etc. would be issued to the client by the Member. Authorised Person may provide administrative assistance in procurement of documents and settlement, but shall not issue any documents to client in its own name. No fund / securities of the clients shall go to account of an Authorised Person.
 - On noticing irregularities, if any, in the operations of an Authorised Person, the Member shall seek withdrawal of approval, withhold all moneys due to Authorised Person till resolution of investor problems, alert investor in the location where Authorised Person operates, file a

complaint with the police, and take all measures required to protect the interest of its investor and the market.

- **Change in Authorized Person status -**

The Member is required to intimate the Exchange any change in status and / or constitution, including change in partners/ directors, change in shareholding / sharing pattern of the Authorized Person along with the details of the proposed change at least 30 days in advance in the format prescribed by the Exchange.

- **Authorized Persons - Processing Fees**

All applications for Authorised Persons registration received by the Exchange must be accompanied with a processing fee as may be prescribed by Exchange from time to time and the registration fees would not be refunded in case of withdrawal of applications by the Member at any stage.

Members of the Exchange are also advised to refer Exchange Circular no. ICEX/MEM/2017-015 dated February 18, 2017 for detailed compliance requirements of Chapter I.

CHAPTER II - BOOKS OF ACCOUNTS AND OTHER RECORDS

➤ Maintenance of Books of Accounts/Documents/ Records

Regulation no. 6.1. (d & e) of the Commodity Derivative Segment of the Exchange all Members of the Exchange as well as other market intermediaries are required to maintain such Books of Accounts, Registers, Statements and other Records, in physical form or electronically, as may be specified by the SEBI, Exchange and any other Relevant Authority and will be kept in good order and preserved at least for such period as may be specified.

The Members of the Exchange are hereby advised to comply with the following compliance requirements. However, it may be noted that the below mentioned list of compliance is illustrative in nature and not exhaustive. Members should comply with all the regulatory requirements laid down by the SEBI/ Exchange from time to time.

Member will have to keep and maintain all Books of Accounts and other Records / Registers / details as under:

- a. Order log
- b. Trade log
- c. Trade File
- d. Register of Transactions (Sauda Book)
- e. Register of Complaints / grievances
- f. Margin Deposit Book / Records of Margin
- g. General Ledger
- h. Exchange wise separate client ledger
- i. Clients Bills along with bill summary
- j. Commodity register/ledger
- k. Records in respect of premium/discount
- l. Records in respect of brokerage
- m. Journals (JVs)
- n. Cash Book
- o. Bank Book
- p. Bank Pass Book & Bank Statements
- q. Periodic bank reconciliation statement
- r. Record of all statement received from the appropriate agencies and record of all correspondence with them.
- s. Evidence of client placing/modifying/cancelling orders in any form, which may include written or electronic or voice recording instrument.
- t. Record of contract-wise Deliveries received/tendered.
- u. Duplicate copy of Contract Notes issued to clients
- v. Proof of dispatch of contract notes to the clients
- w. Proof of receipt / delivery of Contract Notes by clients
- x. ECN Log Report
- y. Evidences of making payment to the clients on account of Mark-To-Market gains by the clients
- z. Separate Books for each branch / AP
- aa. Client registration documents.

In addition to above, member shall keep and maintain such number of books of accounts, documents, and records as prescribed by the Exchange and/ or any relevant authority from time to time. The above records / details are required to be preserved for a minimum period of **five years** or as prescribed by SEBI/Exchange and/or any relevant authority from time to time. In case of Corporate Member, the Member should ensure maintenance of the Statutory Register as required to be maintained under the Companies Act, 2013.

➤ **Records in Soft Forms / Systems**

With computerization of Members' back office operations, some of these accounts and records may be maintained by the Members in soft forms/systems in compliance with the Information Technology Act, 2000.

Hence, the Members are required to ensure the reliability of such system/records and provide the access of such systems/records to the Exchange/SEBI officials and/or inspection team appointed by them if so demanded.

Further the member should ensure to take and maintain the backup of the records from time to time and also the back office software should be protected against any unauthorized access or threat by installing anti-virus software.

➤ **Register of Transactions**

All Members are required to maintain a register of transaction, which contains details of all trades transacted by them. This is a basic record, which each member is required to maintain regularly on day-to-day basis. It contains the details regarding the name of commodity, name and trading code of the client on whose behalf the deals have been done, rate and quantity of commodity bought or sold. These details are maintained date-wise and include transactions related to both.

- Member's own business on the Exchange
- Member's business on the Exchange on behalf of clients

The Member should ensure that all the transactions are recorded in the said register.

➤ **Client Ledger**

Every member of the Exchange is required to segregate and maintain Exchange-wise client ledger. This ledger contains the details of the bills raised by the member on the clients' and the payment received from or made to them for trade executed and/or any other charges debited by member to clients. The member must ensure that there has been no delay in making payment of funds / delivering commodities to the clients. If the Member happens to have Membership of more than one Exchange in the commodity derivatives market then the member must ensure that receipts and payments from one account and debits from another, solely for the purpose of convenience should not be done.

Members must ensure that no adjustment of funds is made between commodities market and equities segment Membership held under sister/associate concerns.

➤ **Bank Book**

All Members are required to maintain bank book for different bank accounts including own account, client account, settlement account as opened by the Member. It is mandatory for the member to prepare the Bank reconciliation statement on a periodic basis.

➤ **Cash Book**

All Members are required to maintain cash book. Member's attention is also drawn towards circular no. Exchange Circular no. ICEX/MEM/2018/166 wherein it is stated that Brokers and Authorized person should not accept cash from the client whether against obligations or as margin for purchase of securities and/or give cash against sale of securities to the clients.

➤ **Margin Deposit Book / Records of Margin**

The Members are required to maintain a margin deposit book wherein details of all the margins collected from the clients are recorded. Margin Deposits received by Members from their clients in any form are required to be accounted for and maintained separately in segregated accounts and should be used solely for the benefit of the respective clients' positions.

➤ **Trade Log and Order Log**

Members are required to download and save, on a daily basis, the files containing details of the orders placed and the trades executed by them during the entire trading session of the day, available at their Trading Work Stations (TWS) through File Transfer Protocol (FTP) at the end of the trading session.

➤ **Trade Files**

Trade file can be downloaded by the Member from the Exchange FTP portal on a daily basis. This file shows the details of all the transactions executed by a member across all his terminals for a particular trading day. It shows trade date, trade no, order no., time of execution of a trade, quantity, rate, commodity code, Client ID etc.

➤ **Register of Commodity**

Members are required to maintain Register of Commodities where delivery taken/received commodity wise and client wise is maintained. The member shall mandatorily comply with the Exchange requirement of maintaining Register of Commodities in the event of delivery being given / taken. The details of delivery taken/received must be reflected as Commodity-wise and Client-wise in the Register as furnished below:

Sr. No.	Settlement date	Buy / sell	Pro / client	Client code	Client Name	Contract	Date of receipt from Exchange	Date of delivery to the client	Qty. received from the Exchange (lots / kgs / MT)	Qty. Delivered to the client (lots / kgs / MT)	Short qty. received / delivered (lots / kgs / MT)	Price at which commodity received	Whether received at premium / discount / settlement price	Amt. of premium / discount	Purpose	Remarks

➤ **Register for Securities**

As per Rule 15 (1) of the Securities Contracts (Regulation) Rules 1957 and Regulation 17 (1) of the SEBI (Stock brokers & sub-brokers) Regulations 1992, a member who takes shares (Securities) from clients' as collateral is required to maintain Register of Securities detailing particulars of shares and securities received and delivered. It should be maintained client wise and securities wise.

➤ **Register of Complaints**

Members should maintain a register of complaint where the member should keep a record of all written complaints received from clients, showing the name and UCC of the client, date and particulars of the complaint, action taken by the member and whether the matter is referred to arbitration of the Exchange, the particulars thereof must be mentioned as per Circular No. the Exchange. ICEX/MEM/2017-016 dated February 20, 2017

The member shall maintain Register of Complaints and also ensure that Complaint of any client is not pending for more than 15 days.

CHAPTER III – AGREEMENTS, DOCUMENTS, AUTHORISATIONS ETC.

➤ **Common/uniform client registration form/process & Requirements regarding Opening of Client Accounts**

As per the format prescribed under Exchange Circular no. ICEX/MEM/2017-016 dated February 20, 2017 on common/uniform client registration form/process, the client will be required to fill in only one set of documents applicable to all commodity Exchanges. The member shall make available a folder / booklet containing following documents required for registration of a client as specified in the circular and ensure that a copy of the whole set is provided by them to the clients.

i. List of mandatory documents to be obtained from the clients –

Annexure 1 – *Part-I - KYC Form for “Individuals only”, Part-I KYC Form for "Non- Individuals only" Part-II KYC Form for “Individuals” and “non-individuals”.

Annexure 2 – Uniform Risk Disclosure Document

Annexure 3 – Rights and Obligations of Members, Authorized Persons and Clients

Annexure 4 – Guidance Note – Do’s and Don’ts for the clients

*As per SEBI Circular number CIR/MIRSD/ 66 /2016 dated July 21, 2016. CERSAI has prescribed Annexure I Part I for “Individuals only”.

a) A tariff sheet specifying various charges, including brokerage, payable by the client, to avoid any dispute at a later date. List of documents which are voluntary/non-mandatory in nature.

b) Information on contact details of senior officials and Investor grievance cell of the Member, so that the client can approach them in case of any grievance.

ii. The Non - Mandatory documents (any other document concerned with any term(s) or condition(s), other than those covered in the Mandatory documents) may be obtained from clients subject to the following conditions:

a) The clauses in the non-mandatory part shall not be in contravention of any of the clauses in the mandatory documents, as also the Rules, Business Rules, Bye-laws, and Circulars of the Exchange, directives and guidelines of SEBI. Any such clause in contravention of the above shall be null and void.

b) Any authorization sought in non-mandatory part shall not be in contravention of the provisions of Rules, Byelaws (including Business Rules, circulars of the Exchange and directives and guidelines of SEBI and Exchanges and has to be a separate document and shall require specific consent of the client.

iii) Authorization sought in non-mandatory part shall always be subject to the following conditions.

a) The authorization shall contain a clause that the Client may revoke the authorization at any time.

- b) The authorization shall be in writing and be signed by the client only and not by any person authorized on his behalf.
- c) The authorizations so obtained are not for any inter family / group company / related accounts adjustment.
- d) The authorizations so obtained are not for any adjustment of funds among securities Exchange and commodities Exchange.

It may be noted that Aadhar card issued by Unique Identification Authority of India (UIDAI) would also be admissible as Proof of Identity and Proof of Address in Know Your Customer (KYC) documentation in the Commodity Futures Market.

iii. Further as per SEBI Circular no. CIR/MIRSD/64/2016 dated July 12, 2016 following requirements is made applicable.

Members are required to provide copy of following standard documents, which are part of the account opening kit, to the clients.

- Rights and Obligations of Members, Authorized Persons and Clients
- Uniform Risk Disclosure Documents (for all segments/ exchanges); and
- Guidance Note detailing Do's and Don'ts for trading on stock exchanges.

With a view to simplify the account opening kit, it has been decided that, stock broker shall make available these standard documents to the clients, either in electronic or physical form, depending upon the preference of the client as part of account opening kit. The preference of the client shall be sought as part of the account opening form. In case the documents are made available in electronic form, stock broker/ shall maintain logs of the same.

- iv. When establishing a relationship with a New Client, Members of the Exchange must take reasonable steps to assess the background, genuineness, beneficial identity, financial soundness of such person, and his trading objectives by registering the client with them in the format prescribed as CLIENT REGISTRATION FORM, The Member of the Exchange shall also obtain from all Corporate Clients an approved copy of the board resolution permitting trading in Derivatives contracts in commodities.
- v. Member of the Exchange shall make the Client aware of particulars of Member's registration number allocated by the Exchange and SEBI, employee primarily responsible for the Clients affairs, the precise nature of business to be conducted, the risk associated with business in trading in contracts listed in the exchange including any limitations on that liability and the capacity in which the Member of the Exchange acts and the Client's liability thereon by issuing to the Client a copy of the RISK DISCLOSURE DOCUMENT. The Member of the Exchange shall furnish a copy of the Risk Disclosure Document and Rights & Obligations of Members, Authorized Persons & Clients to all his clients and to get and maintain their acknowledgement on second copy of the same document.

vi. Further SEBI vide its circular no. MIRSD/Cir- 26/2011 dated, Dec 23, 2011 and Circular CIR/MIRSD/16/2011 dated Aug 22, 2011 has decided regarding IPV (In-Person Verification) requirement for all intermediaries as follows:

- a. It shall be mandatory for all the intermediaries to carry out IPV of their clients.
- b. The intermediary shall ensure that the details like name of the person doing IPV, his designation, organization with his signatures and date are recorded on the KYC form at the time of IPV.
- c. The IPV carried out by one SEBI registered intermediary can be relied upon by another intermediary.
- d. In case of Stock brokers, their Authorized Persons (appointed by the stock brokers after getting approval from the concerned Stock Exchanges in terms of SEBI Circular No. MIRSD/DR-1/Cir-16/09 dated November 06, 2009) can perform the IPV.
- e. Stock broker has an option of doing 'in-person' verification through web camera at the branch office of the stock broker/authorized person's office.
- f. In case of non-resident clients, employees at the stock broker's local office, overseas can do in-person' verification. Further, considering the infeasibility of carrying out 'In-person' verification of the non-resident clients by the stock broker's staff, attestation of KYC documents by Notary Public, Court, Magistrate, Judge, Local Banker, Indian Embassy / Consulate General in the country where the client resides may be permitted.

➤ **Client Registration Documents for Eligible Foreign Entities (EFEs)**

SEBI vide its circular no. SEBI/HO/CDMRD/DMP/CIR/P/2018/134 dated October 09, 2018 has allowed participation of Eligible Foreign Entities (EFEs) in the commodity derivatives market which inter alia states as under:

"V. Know Your Client (KYC) requirements

- The EFE shall be required to meet the extant KYC requirements as per extant Indian Anti-Money Laundering Laws in line with extant KYC approach adopted for the equivalent category of Foreign Portfolio Investors (FPIs).
- Such EFE shall also provide its valid Legal Entity Identifier (LEI) issued by organizations accredited by the Global Legal Entity Identifier Foundation (GLEIF), wherever available."

Further, SEBI vide its circular no. CIR/IMD/FPIC/CIR/P/2018/131 dated September 21, 2018 specified the Know Your Client requirements for Foreign Portfolio Investors (FPIs) which inter alia states as under:

"In supersession of the directions contained in SEBI circular No CIR/IMD /FPIC /CIR/P /2018/64 dated April 10, 2018 and in partial modification of SEBI circular No. CIR/ MIRSD /11/2012 dated September 05, 2012 and subsequent SEBI circular No. CIR /MIRSD /07 /2013 dated September 12, 2013, FPIs shall comply with the following Know Your Client (KYC) requirements"

Accordingly, Authorized Stock Brokers (ASBs) are requested to comply with the applicable provision of the SEBI Circulars mentioned herein above.

kindly refer ICEX Circular ICEX/INSP/474/2018 dated November 15, 2018 on Client Registration Documents for Eligible Foreign Entities (EFEs) for details.

Additional Requirement (for new clients) -

Further SEBI vide circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016 titled Regulatory Framework for Commodity Derivatives Brokers has made applicable SEBI Circular number CIR/MIRSD/01 /2013 dated Jan 04, 2013 and also Clause 1 to 11 and Clause 14 to 19 of Annexure A of SEBI Circular number MIRSD/ SE /Cir-19/2009 dated Dec 03, 2009 for new client accounts with respect to requirements of Financial Documents, PAN, Inactive Clients etc. which inter alia states that:

Rationalization process for obtaining PAN by Investors -

With a view to bring about operational flexibility and in order to ease the PAN verification process, the intermediaries may verify the PAN of their clients online at the Income Tax website without insisting on the original PAN card, provided that the client has presented a document for Proof of Identity other than the PAN card.

Client Registration Procedure

Following clauses of SEBI Circular number MIRSD/ SE /Cir-19/2009 dated Dec 03, 2009 (Clause 1 to 11 and Clause 14 to 19 Of Annexure A) are made applicable by the SEBI.

The stock broker shall register a client and make available a folder /book containing all the documents required for registration of a client. The folder/book shall have an index page listing all the documents contained in it and indicating briefly significance of each document. Once signed, a copy of the same shall be made available to the client.

The folder/book shall have two parts: (a) Mandatory and (b) Non-mandatory.

(a) Mandatory -

- i. Member shall execute mandatory documents in the format as prescribed by SEBI.
- ii. The client shall indicate that stock exchange as well as market segment where he intends his trade to be executed. He shall do so in the KYC form in his own hand and signed against these.
- iii. The KYC form shall capture the identity and the address of the introducer instead of his MAPIN/UID. The KYC shall be modified to this extent.
- iv. The stock broker shall have documentary evidence of financial details provided by the clients who opt to deal in the derivative segment. In respect of other clients, the stock broker shall obtain the documents in accordance with its risk management system.

- v. The Stock Broker shall also capture details of action taken against a client by SEBI or other authorities during the last 3 years.
- vi. There shall be a mandatory document dealing with Policies and Procedures for each of the following under appropriate headings:
- setting up client's exposure limits,
 - applicable brokerage rate,
 - imposition of penalty/delayed payment charges by either party, specifying the rate and the period (This must not result in funding by the broker in contravention of the applicable laws),
 - the right to sell clients' securities or close clients' positions, without giving notice to the client, on account of non-payment of client's dues (This shall be limited to the extent of settlement/margin obligation),
 - shortages in obligations arising out of internal netting of trades,
 - conditions under which a client may not be allowed to take further position or the broker may close the existing position of a client,
 - temporarily suspending or closing a client's account at the client's request, and
 - de-registering a client.
- (b) Non-mandatory
- Any term or condition other than those stated in the mandatory part shall form part of non-mandatory documents.
 - The clauses in the non-mandatory part shall not be in contravention of any of the clauses in the mandatory documents, as also the Rules, Regulations, Articles, Byelaws, circulars, directives and guidelines of SEBI and Exchanges. Any such contravening clause shall be null and void.
 - Any authorization sought in non-mandatory part shall be a separate document and shall have specific consent of the client.
- (c) General
- All the documents in both the mandatory and the non-mandatory parts shall be printed in minimum font size of 11.
 - A copy of all the documents executed by client shall be given to him, free of charge, within **seven** days from the date of execution of documents by the client. The Member shall take client's acknowledgement for receipt of the same.
 - The Member having own web-sites shall display all the documents executed by a client, client's position, margin and other related information, statement of accounts, etc. in the web-site and allow secured access by way of client-specific user id and password.

- No term of the agreement other than those prescribed by SEBI, shall be changed without the consent of the client. Such change needs to be preceded by a notice fifteen days.
- The stock broker shall frame the policy regarding treatment of inactive accounts which should, inter-alia, cover aspects of time period, return of client assets and procedure for reactivation of the same. It shall display the same on its website, if any.
- As on 31st March of every year, a statement of balance of Funds and Securities in hard form and signed by the broker shall be sent to all the clients.

3. Uploading Client Registration details to KYC Registration Agencies (KRAs)

Common/Uniform Client Registration in Commodity Derivative Markets through KYC Registration Agencies (KRAs)

SEBI vide circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016 title **Regulatory Framework for Commodity Derivatives Brokers** has made applicable SEBI Circular number MIRSD/Cir-23/2011 dated December 02, 2011 and Para 1 of MIRSD/Cir-26/2011 dated December 23, 2011 with respect to KYC Registration Agencies which inter alia issued guidelines/requirements as follows:

SEBI simplified the account opening process for investors and made it uniform across intermediaries in the securities markets vide aforementioned circulars. Further, to avoid duplication of KYC process with every intermediary, KRA system was developed for centralization of the KYC records in the securities markets.

Members are required to upload the details of clients after doing the initial KYC of the new clients on the system of KRA and central KYC as per their guidelines applicable from time to time.

An intermediary shall perform the initial KYC of its clients and upload the details on the system of the KRA. When the client approaches another intermediary, the intermediary can verify and download the Client's details from the system of the KRA. As a result, once the client has done KYC with a SEBI registered intermediary, he need not undergo the same process again with another intermediary.

Guidelines for Members:

- i. The Member shall perform the initial due diligence of the new client whose KYC data are not available with the KRAs, upload the KYC information for both individuals and non-individuals with proper authentication on the system of the KRA, furnish the scanned images of the KYC documents to the KRA, and retain the physical KYC documents.
- ii. The Member shall furnish the physical KYC documents or authenticated copies thereof to the KRA, whenever so desired by the KRA.

- iii. A new client can be allowed to start trading / dealing in commodity futures on the Exchange platform through the Member as soon as the client is registered by completing the necessary KYC documentation process. However, the Member shall be under obligation to upload KYC details with proper authentication on the system of the KRA, within **ten** days of receipt of the KYC documents from the client.
- iv. With respect to the existing clients, who are presently registered with any of the Members and whose **KYC data are already uploaded on the system of any of the KRAs**, the Member to whom such client approaches, shall download the client's details from the system of KRA.
- v. Provided that upon receipt of information on change in KYC details and status of the clients by the Member or when it comes to the knowledge of the Member, at any stage, the Member shall be responsible for uploading the updated information on the system of KRA with proper authentication on the system of the KRA, furnish the scanned images of the additional KYC documents to the KRA, and retain the physical KYC documents.
- vi. The Members shall also upload the KYC details about their existing clients which are missing/ not available with them by calling for the same from their clients.
- vii. The Member shall not use the KYC data of a client obtained from the KRA for purposes other than it is meant for; nor shall it make any commercial gain by sharing the same with any third party including its affiliates or associates.
- viii. The Member shall have the ultimate responsibility for the KYC of its clients, by undertaking enhanced KYC measures commensurate with the risk profile of its clients.
- ix. The Member shall at all times, have adequate internal controls to ensure the security / authenticity of data uploaded.
- x. As per the SEBI circular CIR/MIRSD/ 66 /2016 dated 21st July 2016 and the 2015 amendment to PML (Maintenance of Records) Rules, 2005 (the rules), every reporting entity shall capture the KYC information for sharing with the Central KYC Records Registry in the manner mentioned in the Rules, as per the KYC template for 'individuals' finalized by CERSAI.
- xi. Accordingly, the KYC template finalized by CERSAI shall be used by the registered intermediaries as Part I of AOF for individuals. The KYC template for "individuals" and the "Central KYC Registry Operating Guidelines 2016" for uploading KYC records on CKYCR as finalized by CERSAI from time to time, it is clarified that the requirement for Permanent Account Number (PAN) would continue to be mandatory for completing the KYC process.

4. Client Registration Documents In Vernacular Languages

In order to facilitate better understanding of the registration documents by Clients, Exchange has provided the documents in 15 vernacular languages i.e. Assamese, Bengali, Gujarati, Hindi, Kannada, Kashmiri, Konkani, Malayalam, Marathi, Oriya, Punjabi, Sindhi, Tamil, Telugu and Urdu. Following documents are available in 15 vernacular languages on ICEX website at <https://www.icexindia.com/membership/compliance>

- Rights and Obligations of Members, Authorized Persons and Clients (including additional rights & obligations in case of internet / wireless technology based trading).
- Risk Disclosure Document
- Guidance Note - Do's And Don'ts for the Clients

Members can download the above documents and have to make available these documents to their clients on demand and also display the same on their own website. It may be noted that the documents are a translated version of the original documents in English. In case of any ambiguity the contents of the English version would prevail. Members of the Exchange are also advised to refer Exchange Circular no. ICEX/INSP/325/2016 dated September 29, 2016 and ICEX/INSP/419/2016 December 6, 2016 for detailed compliance requirements.

CHAPTER IV - CLIENTELE TRANSACTION

➤ Creation and allotment of Unique Client Code (UCC)

Updating/uploading of mobile number and E-mail address by stock brokers

Stock brokers shall upload the details of clients, such as, name, mobile number, address for correspondence and E- mail address. Stock brokers shall ensure that the mobile numbers/E-mail addresses of their employees / remisiers / authorized persons are not uploaded on behalf of clients. Stock Brokers shall ensure that separate mobile number/E-mail address is uploaded for each client. However, under exceptional circumstances, the stock broker may, at the specific written request of a client, upload the same mobile number/E-mail address for more than one client provided such clients belong to one family. 'Family' for this purpose would mean self, spouse, dependent children and dependent parents as per Circular No. SEBI Circular: CIR/MIRSD/15/2011 dated Aug 02, 2011.

Members are aware that the Exchange sends the following details to the respective clients of the Members:

- a) The details of trades executed by the Members on behalf of their clients on the Exchange platform are sent to the clients on a daily basis in the form of SMS and email. The SMS and email are sent to the respective clients on their mobile number and email address uploaded in the Exchange UCC database.
- b) The details of clients' funds, securities and commodities balances as submitted / reported by the Members on monthly basis as part of Enhanced Supervision requirement, are sent to the clients in the form of SMS and email. The SMS and email are sent to the respective clients on their mobile number and email address uploaded in the Exchange UCC database.

Members are advised to:

- a) Ensure that the updated and correct mobile number and email address of their clients are uploaded in the UCC database of the Exchange
- b) Periodically reconcile their back office records with the Exchange UCC records in order to avoid mismatch in the UCC details of their clients
- c) take 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 / no communication in future.

➤ Allotting Unique Client Code

As per ICEX/MEM/2017-016 dated February 20, 2017 it shall be mandatory for the Members of the Exchange to use Unique Client Code (UCC) for all clients transacting on the Exchange. The Exchange shall not allow execution of trades without uploading of the UCC details by the Members of the Exchange. For this purpose, Members shall collect after verifying the authenticity and maintain in their back office the copies of Permanent Account Number (PAN) issued by the Income Tax Department, to

all their clients. However, the investors residing in the State of Sikkim are exempted from the mandatory requirement of PAN.

Further, PAN may not be insisted in the case of Central Government, State Government, and the officials appointed by the courts e.g. Official liquidator, Court receiver etc. (under the category of Government) for transacting in the securities market. Members shall verify the veracity of the claim of the specified organizations, by collecting sufficient documentary evidence in support of their claim for such an exemption.

➤ **Modification of Client Code -**

As per Exchange Circular No. ICEX/MEM/2018/156 dated June 06, 2018 Exchanges may allow modifications of client codes of non-institutional trades only to rectify a genuine error in entry of client code at the time of placing/ modifying the related order in all segments. For this purpose the following shall be classified as genuine errors:

- Error due to communication and / or punching or typing such that the original client code / name and the modified client code / name are similar to each other.
- Modification within relatives ('Relative' for this purpose would mean as defined under Companies Act, 2013)

➤ **Error Account -**

- a) Shifting of trades to the 'Error account' of broker would not be treated as modification of client code, provided that trades in 'Error account' are subsequently liquidated in the market and not shifted to some other code.
- b) Further, broker shall disclose the codes of accounts which are classified as 'Error accounts' to the Exchanges. Each broker should have a well-documented error policy approved by the management of the broker. Exchanges shall periodically review the trades flowing to the error accounts of the brokers.
- c) The Member should ensure that UCC details of 'Error Accounts' is uploaded to the Exchange with Client Code as 'ERROR' and in Client Name field, Name of the Trading Member Exactly as per Income Tax records (PAN Database) is entered. The members, who want to upload 'ERROR' code shall be required to submit request to the Exchange (e-mail: tns@icexindia.com) for uploading the same.

➤ **Brokerage -**

As per Exchange Circular No. ICEX/MEM/2018/152 dated May 29, 2018 Exchange may specify the maximum and minimum brokerage rates, which shall be adhered to by the Members of the Exchange while dealing with their clients.

- The maximum and minimum brokerage rates, which shall be adhered to by the members of the Exchange while dealing with their clients shall be as under.

- The maximum brokerage rate shall be 1% in case of non-delivery transactions and 2% (plus expenses) in case of transactions resulting into delivery;
- The brokerage rates may be commodity specific absolute figure or in terms of percentage on value of a contract irrespective of class of commodity;
- The brokerage amount must be shown separately in the contract notes to be issued by the members to their clients. Member may note that the details of brokerage rate /amount and other charges if any levied on the client for trading on the Commodity Exchange(s) shall be provided in the Tariff Sheet along with Set of Account Opening Document while opening their account.
- Member shall not share brokerage with another member of the Exchange or, an employee of another Member of the Exchange or with whom members are forbidden to do business under the Rules, Bye-laws and Business Rules of the Exchange or with any Member of other Exchange who is Suspended or Expelled or Declared Defaulter.
- Also note that levying excess brokerage from the Exchange specified rate shall attract penalty as specified in the Annexure-A of Exchange circular ref. no: ICEX/MEM/2017-080 dated November 21, 2017.
- Further, member has to provide Tariff Sheet (along with Set of Account Opening Document) to their clients while opening their account, which is a document detailing the rate/amount of brokerage and other charges levied on the client for trading on the Commodity Exchange(s).

➤ Portfolio Advisory and Management Services (PMS)

As per Exchange circular ICEX/TRADING/2019/411 dated May 23, 2019 read with SEBI Circular SEBI/HO/IMD/DF1/CIR/P/2019/066 dated May 22, 2019. Portfolio Managers are permitted to participate in Exchange Traded Commodity Derivatives on behalf of their clients.

It would be mandatory for Portfolio Managers to appoint SEBI registered Custodian before dealing in Exchange traded Commodity Derivatives.

As per the aforesaid SEBI Circular the participation of Portfolio Managers in the exchange traded commodity derivatives would be subject to the following:

1. Portfolio Managers may participate in Exchange Traded Commodity Derivatives on behalf of their clients and such participation shall be in compliance with all the rules, regulations including SEBI (Portfolio Managers) Regulations, 1993 and circulars/guidelines and position limit norms as may be applicable to 'clients', issued by SEBI and Exchanges from time to time.
2. Portfolio Managers may participate in Exchange Traded Commodity Derivatives after entering into an agreement with the clients. Portfolio Managers may execute addendums to the agreement with their existing clients, permitting the Portfolio Managers to participate in the Exchange Traded Commodity Derivatives on their behalf.
3. Portfolio Managers shall provide adequate disclosures in the Disclosure Document as well as the agreement with the client pertaining to their participation in the Exchange Traded Commodity Derivatives, including but not limited to the risk factors, margin requirements, position limits, prior experience of the Portfolio Manager in Exchange Traded Commodity Derivatives, valuation of goods etc.
4. In case dealing in Commodity derivatives lead to delivery of physical goods, there is a possibility that, the Portfolio Manager remains in possession of the physical commodity. In such cases, the goods need to be disposed off at the earliest, within the timelines as agreed upon between the client and the Portfolio Manager. The responsibility of liquidating the physical goods shall be with the Portfolio Manager.
5. Since Foreign Portfolio Investors are not allowed to participate in the Exchange Traded Commodity Derivatives market, Portfolio Managers shall not onboard Foreign Portfolio Investors until such time as they are permitted to participate in Exchange Traded Commodity Derivatives market.
6. Portfolio Managers shall also provide periodic reports to the clients as per Regulation 21 of SEBI (Portfolio Managers) Regulations, 1993 regarding their exposure in Exchange Traded Commodity Derivatives.

7. Portfolio Managers shall report the exposure in Exchange Traded Commodity Derivatives under the heading of 'Commodity Derivatives' in the monthly reports submitted to SEBI.

➤ **Naming/Tagging of Bank and Demat Accounts by Members**

Bank Accounts - All Members are required to open following three types of bank accounts

Bank accounts and Demat accounts maintained by all Members shall have appropriate nomenclature to reflect the purpose for which those Bank/Demat accounts are being maintained.

All Members are required to open following Bank/Demat accounts:

- 1) **Settlement Bank Account** - Bank account(s) held for the purpose of settlement would be named as "Name of Member - Settlement Account". Every Member of the Exchange is required to have designated bank account (called settlement bank account) with any of such branches of a designated Clearing Bank, which has electronic funds transfer facility. Members are required to operate the Settlement account only for the purpose of settlement of deals entered through the Exchange, for the payment of margin money and for any other purpose as may be specified by the Exchange, where the Member can transfer funds to Clients account from this account. Apart from such transfer, only the Exchange will have the power to withdraw money from this account by way of direct debit instruction.
- 2) **Client bank account** - Bank account(s) which hold clients' funds shall be named as "Name of Member - Client Account". The Member can deposit cheques received from the Client and he should issue cheque/DD/NEFT from this account to his Clients towards their receivable amount in the Client bank account. The Member will have a cheque book facility in this account and he will also be entitled to issue transfer instructions to the bank for transferring money from this account to the Settlement account to meet his pay-in or margin obligations. Members are not allowed to use Client funds for their own transactions or for transactions of any other client or for the purpose other than specified by the Exchange.
- 3) **Business/Own/Expense account** -
 - Bank Account(s) which hold own funds of the Members shall be named as "Name of Member - Proprietary Account".
 - Client funds should not be deposited in own bank account.

The Member must ensure compliance with the following requirements:

- Every Member shall maintain the Constituent/client funds in the Member Clients' account maintained with the Clearing bank. He should not use this money for his own transactions or for transactions of such other client or for any purpose other than margin and pay in relating to transactions entered into by such client paying the margin.

- All monies received from the clients and all the payment made to the clients should be routed through the clients' bank accounts. Whenever Member trades as a principal (Pro trade), he cannot use the client's account for payment.
- Every Member who holds or receives money on account of a client is required to forthwith deposit such money in the designated clients account.
- No money should be withdrawn from clients' account other than money required for payment towards a debt which is due to the Member from clients or money drawn on clients' authority or money in respect of which there is a liability of clients to the Member, provided that the money so drawn should not exceed the total of the money so held for the time being for each such client.
- Member should not use clients' money for making payment for office expenses such as salary, telephone bills, TDS payments, purchase of office equipment etc. It should be noted that amounts withdrawn from client bank to own bank on account of brokerage, should be an amount due to the Member towards brokerage receivable from clients on transactions entered into with clients.
- Members are required to make all payments towards the office expenses, purchase or sale of any fixed asset etc. from their own account and not from client account.
- Ensure that funds are received from respective clients' accounts only.

Demat Accounts - As per Exchange Circular no. [ICEX/MEM/2018/156 dated June 06, 2018](#) Members shall ensure that all demat account(s) maintained by them have appropriate nomenclature as under to reflect purpose for which such demat accounts are being maintained.

- *Client Margin Trading Securities account (In case of Margin trading)*
- *Client collateral Account (for holding client securities for margin purpose and onward transfer to Collateral Account for pledging with Clearing Corporations ("CC") or transfer to Clearing Member ("CM"))*.
- *Collateral account (for pledging own & client securities with CCs or transfer to Clearing Member ("CM"))*
- *Own Beneficiary Account (Stock Broker-Proprietary Account).*
- *Client Unpaid Securities Account.*
- *Pool Account*

➤ **Submission of Permanent Account Number (PAN) Details:**

- Submit PAN details of all Directors.
- Submit PAN details of all Key Management Personnel. Definition of Key Management Personnel u/s 2(51) of Companies Act, 2013 is as under:
"Key Managerial Personnel", in relation to a company, means-
 - (i) the Chief Executive Officer or the managing director or the manager;
 - (ii) the company secretary;

- (iii) the whole-time director;
- (iv) the Chief Financial Officer; and
- (v) such other officer as may be prescribed;”

Any change in the aforesaid details/information related to Directors / Key management Personnel / Proprietor/ Partner/ Karta/ Coparcener/ Trustee/ dealers or PAN shall be intimated to the Exchange within seven days of such change.

➤ **Margin Collections** - As per Regulation 4.6 every member of the Exchange executing transactions on behalf of clients shall collect from the clients the margins specified from time to time, against their open positions and such collections shall be reported to the Exchange in such manner and within such time as may be prescribed by the Relevant Authority.

The ‘margins’ for this purpose shall mean initial margin, extreme loss margin (ELM), mark to market margin, special / additional margin, delivery margin or any other margin as prescribed by the Exchange to be collected by member from their clients.

The Members are required to collect upfront initial margins, extreme loss margins (ELM) from their clients. The Members will have time till ‘T+2’ working days to collect margins (except initial margins, extreme loss margins (ELM)) from their clients. (The period of T+2 days has been allowed to Members to collect margin from clients taking into account the practical difficulties often faced by them only for the purpose of levy of penalty and it should not be construed that clients have been allowed 2 days to pay margin due from them).

Members shall ensure that the margins collected by them from their clients are highly liquid in nature. Members can consider following forms of collaterals for reporting the margin collection from its clients. Acceptable collaterals may include:

- a. Free and unencumbered Balances (funds and securities) available with the member
- b. Cash Margin (through cheque/NEFT/RTGS/ECS)
- c. Bank guarantee in favour of the member
- d. Fixed deposit receipt lien marked in favour of the member
- e. Liquid Securities in dematerialized form, actively traded on the Exchanges with appropriate hair-cut
- f. Units of liquid mutual funds in dematerialized form with appropriate hair-cut
- g. Exchange Approved commodities with appropriate hair-cut
 - Members, while accepting collaterals from their clients, may ensure that such collaterals are free from any encumbrance and in sufficiently liquid form, so that the same are readily available for encashment, in the event of client default.

- Members shall desist from accepting illiquid collaterals like immovable properties, etc. and third party collaterals against the margin requirements of their clients.
- The Members shall report to the Exchange by T + 5 day the actual short-collection/non- collection of all margins from clients.
- The Members shall monitor trades of every client. Suitable mechanism may be put in place to intimate the clients as and when the margins are used up to an appropriate level as considered fit.

➤ Pre Funded Instruments -

As per SEBI circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016 and circulars referred therein Members are required to comply with the following:

- i. If the aggregate value of pre-funded instruments is Rs.50,000/- or more, per day per client, the stock brokers may accept the instruments only if the same are accompanied by the name of the bank account holder and number of the bank account debited for the purpose, duly certified by the issuing bank. The mode of certification may include the following:
 - a. Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.
 - b. Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument.
 - c. Certified copy of the passbook/bank statement for the account debited to issue the instrument.
 - d. Authentication of the bank account-number debited and name of the account holder by the issuing bank on the reverse of the instrument.
- ii. Maintain an audit trail of the funds received through electronic fund transfers to ensure that the funds are received from their respective clients only.

➤ Cash Dealings -

1. SEBI Circular no. SEBI/HO/MIRSD/DOP/CIR/P/2018/113 dated July 12, 2018 inter alia states as under:

Please refer to SEBI circular SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003, regarding Mode of Payment and Delivery.
2. Government of India has promoted various means for transfer / receipt of funds through digital mode for encouraging a cashless economy. Financial institutions/ Banks have introduced various modes of electronic payment facility including mobile banking, Unified Payment Interface (UPI) etc.
3. In view of the various modes of payment through electronic means available today, it is directed that **Member shall not accept cash from their clients** either directly or by way of cash deposit to the bank account of stock broker. Accordingly, paragraph 3 of the SEBI circular dated August 27, 2003 is modified as under:

All payments shall be received / made by the stock brokers from / to the clients strictly by account payee crossed cheques / demand drafts or by way of direct credit into the bank account through electronic fund transfer, or any other mode permitted by the Reserve Bank of India. The stock brokers shall accept cheques drawn only by the clients and also issue cheques in favour of the clients only, for their transactions. Stock Brokers shall not accept cash from their clients either directly or by way of cash deposit to the bank account of stock broker.

4. All other conditions specified in the SEBI circular dated August 27, 2003 shall continue to remain in force.”

Members are requested to take note of the aforesaid SEBI Circular and to comply with applicable regulatory requirements.

➤ **Issue of Statement of accounts/funds to Clients -**

The Member shall send a complete 'Statement of Accounts' for both funds and commodities in respect of each of its clients in such periodicity and format within such time, as may be prescribed by the relevant Exchange from time to time, where the trade is executed. The statement shall also state that the client shall report errors, if any, in the Statement within such time as may be prescribed by the relevant Exchange from time to time where the trade was executed, from the receipt thereof to the Members.

The Member shall send margin statements to the clients on daily basis. Margin statement should include, inter alia, details of collateral deposited, collateral utilized and collateral status (available balance/due from client) with break up in terms of cash, Fixed Deposit Receipts (FDRs), Bank Guarantee, warehouse receipts, securities etc.

➤ **Inactive Clients -**

Members shall frame the policy regarding treatment of inactive accounts which should, inter-alia, cover aspects of time period, return of client assets and procedure for reactivation of the same. It shall display the same on its web site, if any. Members are informed by Circular No: January 17, 2019 for the purpose of surveillance, the clients who have not traded in last one year shall be considered as Dormant. Further, if trades are executed in such accounts, trading member needs to satisfy itself regarding KYC of the concerned client/s. The Exchange will continue to provide the list of Clients (with status as 'Active' in UCC) who have not traded in past one year to Members on a monthly basis as mentioned in the above-referred Exchange circular

CHAPTER V - CONTRACT NOTES

Issue of Contract Notes -

- a) Members are required to deliver contract notes to the clients within 24 hours of the commodity derivatives transactions made by or on behalf of the client and the proof of delivery of the same needs to be preserved by the member.
- b) Contract note shall be signed by the member or their Authorized signatory.
- c) Contract note shall be serially numbered beginning from one, which shall be reset only at the beginning of the next financial year
- d) The delivery of the contract notes should be at the address of the client. Delivery of contract notes to an address (either email or physical address) other than that of the client shall be deemed to be non-delivery of the contract notes.
- e) The proof of the physical delivery of contract note need to be preserved by the member.
 - f) In case the 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 would bear a remark specifying the same.
- g) Member shall issue contract notes in the format prescribed by the exchange from time to time.

Electronic Contract Note (ECN)

SEBI vide circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016 titled **Regulatory Framework for Commodity Derivatives Brokers** has made applicable SEBI Circular number SMDRP/Policy/Cir-56/2000 dated Dec 15, 2000, SMD/SE/15/2003/29/04 dated Apr 29, 2003, MRD/DoP/SE/Cir-20/2005 dated Sep 8, 2005, Clause 13 of Annexure A to MIRSD/SE/Cir-19/2009 dated Dec 3, 2009 with respect to contract notes.

a) **Use of Digital Signature on Contract Notes** - Brokers are allowed to issue contract notes authenticated by means of digital signatures provided that the broker has obtained digital signature certificate from Certifying Authority under the IT Act, 2000. Mode of confirmation by the client may be as specified in the Uniform Client Registration Form.

b) **Issuing ECNs when specifically consented** - The digitally signed ECNs may be sent only to those clients who have opted to receive the contract notes in an electronic form, either in the client registration document or by a separate letter/ format specified by the Exchange.

The stock broker may issue electronic contract note if specifically authorized by the client subject to the following conditions:

- i. The authorization shall be in writing and be signed by the client only and not by any authorized person on his behalf or holder of the Power of Attorney.
 - ii. The email id shall not be created by the broker. The client desirous of receiving ECN shall create / provide his own email-id to the stockbroker.
 - iii. The authorization shall have a clause to the effect that any change in the email-id shall be communicated by the client through a physical letter to the broker. In respect of internet clients, the request for change of email id may be made through the secured access by way of client specific user id and password.
- c) **Where to send ECNs** - The usual mode of delivery of ECNs to the clients shall be through e-mail. For this purpose, the client shall provide an appropriate e-mail account to the member for receipt of ECNs.
- d) **Requirement of digital signature** - All ECNs sent through the e-mail shall be digitally signed, encrypted, non-tamperable and shall comply with the provisions of IT Act, 2000. In case the ECN is sent through e-mail as an attachment, the attached file shall also be secured with the digital signature, encrypted and non-tamperable.
- e) **Requirements for acknowledgement** - The acknowledgement of the email shall be retained by the member in a soft and non-tamperable form.
- f) **Proof of delivery** - The proof of delivery i.e., log report generated by the system at the time of sending the contract notes shall be maintained by the member for the specified period under the extant regulations of SEBI / stock exchanges and shall be made available during inspection, audit, etc. The member shall clearly communicate to the client for this purpose that non-receipt of bounced mail notification by the member shall amount to delivery of the contract note at the e-mail ID of the client.
- g) **Log Report for rejected or bounced mails** -
- The log report shall also provide the details of the contract notes that are not delivered to the client / e-mails rejected or bounced back.
 - Also, the member shall take all possible steps (including settings of mails servers, etc.) to ensure receipt of notification of bounced mails by the member at all times within the time period specified by SEBI / Exchange.
 - Non-Maintenance of the log report tantamount to non-maintenance of proof of delivery by the Member and the Member shall be levied penalty as per the Penalty Structure.
- h) **When to issue or send in Physical form** -
- **Issue in Physical mode** - In case of those clients who do not opt to receive the contract notes in the electronic form, the member shall continue to send contract notes in the physical form to such clients.

➤ **Send in Physical mode** - Wherever the ECNs have not been delivered to the client or has been rejected (bouncing of mails) by the e-mail ID of the client, the member shall send a physical contract note to the client within the time period stipulated by SEBI / Exchange and maintain proof of delivery of such physical contract notes.

i) General Requirements:-

- **ECNs through website:** In addition to the e-mail communication of the ECNs in the manner stated above, in order to further strengthen the electronic communication channel, the member shall simultaneously publish the ECN on the designated web-site in a secured way and enable relevant access to the clients.
- **Access to the website:** In order to enable clients to access the ECNs posted in the designated website in a secured way, the member shall allot a unique user name and password for the purpose, with an option to the client to access the same and save the contract note electronically or take printout of the same.
- **Preservation/ Archive of electronic documents:** The member shall retain / archive such electronic documents as per the extant rules / regulations / circulars / guidelines issued by SEBI / Stock Exchange from time to time.

In the light of various disputes observed in the delivery of contract notes in respect of Commodity derivatives and with a view to reducing the incidences of complaints in respect of non-receipt of contracts, the Members shall take every step necessary to ensure full compliance with the above requirements. Members are required to refer Chapter 4 of the Regulations for detailed compliance requirements to issue contract note to their clients. The format of Contract note is provided available at Exchange at below <https://www.icexindia.com/membership/compliance>. Format is also provided for ease of reference

CONTRACT NOTE

NAME OF THE MEMBER, LOGO OF THE MEMBER SEBI REGISTRATION NO., ADDRESS, TELEPHONE NO., FAX NO AND WEBSITE NAME OF COMPLIANCE OFFICER HS/ HER EMAIL & TELEPHONE NO., EMAIL ID FOR INVESTOR COMPLAINT DEALING OFFICES ADDRESS, TELEPHONE NO., FAX NO
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CONTRACT NOTE NO.		Name Of Exchange	Name Of Exchange	Name Of Exchange	Name Of Exchange
TRADE DATE		SETTLEMENT NO.			
Name of the Client Address of the Client State/State Code (Place of supply) PAN of Client UCC of Client Trading Back office code* GST Identification No. of client (if available)		SETTLEMENT DATE	GIVE EXCHANGE-WISE SETTLEMENT NO. & DATES		

	Name Of Exchange	Name Of Exchange	Name Of Exchange	Name Of Exchange
*Trading/ Back Office Code (If Different from UCC)				

Sir/ Madam,
I / We have this day done by your order and on your account the following transactions:

Order No.	Order Time	Trade No.	Trade Time	Security/ Contract description	Buy (B)/ Sell (S)	Quantity	Gross Rate/ Trade Price Per unit (Rs)	Brokerage per Unit (Rs)	Net Rate per Unit (Rs)	Net Total (Before Levies) (Rs)	Remarks
1	2	3	4	5	6	7	8	9	1	11	12
Name of Exchange											
Only Trade details of the trading day to be given and not the details of position brought forward											
Trade 1											
Trade 2											
Trade N											
Name of Exchange											
Only Trade details of the trading day to be given and not the details of position brought forward											
Trade 1											
Trade 2											
Trade N											
Name of Exchange											
Only Trade details of the trading day to be given and not the details of position brought forward											
Trade 1											
Trade 2											
Trade N											

Name of Exchange											
Only Trade details of the trading day to be given and not the details of position brought forward											
Trade 1											
Trade 2											
Trade N											

	Name Of Exchange	Name Of Exchange	Name Of Exchange	Name Of Exchange	TOTAL (Net)
Aggregate of Net Total of Column (11) (Rs)					
Brokerage Total (Rs)					
Commodities Transaction Tax (Rs)					
**Taxable value of supply (TV)					
***CGST(% of TV)(Rs.)					
***SGST (% of TV)(Rs.)					
***IGST (% of TV)(Rs.)					
***UTT(% of TV)(Rs.)					
Exchange Transaction Charges(Rs)					
SEBI turnover Fees (Rs.)					
Stamp Duty(Rs.)					
Other Statutory Levies if any (Rs.)					

** Taxable value to be calculated as per the provisions of valuation of supply as per applicable GST Laws from time to time
 *** CGST:-Central GST; SGST: - State GST; IGST:-Integrated GST; UTT: - Union Territory Tax. Details of trade-wise levies shall be provided on request.

This contract constitutes and shall be deemed to constitute as an agreement between you and me/us, and in the event of any claim (whether admitted or not), difference or dispute in respect of any dealings, and contracts of a date prior or subsequent to the date of this contract (including any question whether such dealings, transactions or contracts have been entered in to or not) shall be referred to arbitration as provided in the Rules, Bye-laws, Regulations and any Business Rules of the Exchanges and other relevant applicable regulatory guidelines and directives issued by Securities and Exchange Board of India (SEBI) issued from time to time.

Transactions mentioned in this Contract Note shall be governed by the Rules, Bye-laws, Regulations, and any Business Rules of the respective Exchanges and also subject to the relevant Acts, Rules, Regulations, Directives, Notifications, Guidelines (including GST Laws) & Circulars issued by SEBI / Government of India / State Governments and Union Territory Governments from time to time. The Exchanges provides for dedicated Investor Grievance Redressal Mechanism and Alternate Dispute Resolution Mechanism (Arbitration) at regions where they have set up Investor Service Centre (ISC). The Arbitration facility is provided at the Regional Arbitration Centres. The details of Investor Service Centres & Regional Arbitration Centres are available on the respective Exchange's Website (www.icexindia.com, www.mcxindia.com, www.ncdex.com, www.nmce.com). The Client may approach Investor Service Centre of the respective Exchange nearest to the address provided by the client in the KYC form for any dispute redressal.

Date:
Place:

Yours faithfully,

For		(Name of Trading Member)	
PAN of Trading Member			
GSTIN of Trading Member			
Description of Service			
Accounting code of services			

Name & Signature/Digital Signature of Partner / Proprietor / Authorized Signatory

CHAPTER VI - INTERNAL AUDIT

SEBI vide circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016 titled **Regulatory Framework for Commodity Derivatives Brokers** has made applicable Para 7 to 11 of SEBI circular no MIRSD/Master Cir-04/2010 dated March 17, 2010 regarding Internal Audit which states as under:

- i. The member shall carry out complete internal audit on a half yearly basis by an independent qualified Chartered Accountant, Company Secretary or Cost and Management Accountant who is in practice and does not have any conflict of interest.
- ii. The audit shall cover, inter alia,
 - a. the existence, scope and efficiency of the internal control system,
 - b. compliance with the provisions of the SEBI Act, 1992, Securities Contracts (Regulation) Act 1956, SEBI (Intermediaries) Regulations, 2008, SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992, circulars issued by SEBI from time to time, Bye Laws and Regulations and circulars issued by the Commodity Exchange/ Clearing Corporation,
 - c. data security and insurance in respect of operations, and
 - d. Efficacy of the investor grievance redressal mechanism and discharge of various obligations towards clients.
- iii. The internal auditor shall submit the audit report to the member, who shall place it before its Board of Directors/Proprietor/Partners and shall forward the same along with para-wise comments to the respective commodity exchange/clearing corporation within three months from the end of the half year period.
- iv. The Commodity Exchange/Clearing Corporation shall analyze the audit reports so received and take appropriate follow up action.
- v. The Commodity Exchange/Clearing Corporation shall initiate appropriate actions - remedial, penal or disciplinary - against the Members where deficiencies are noticed in audit reports or where audit report has not been received, and inform the details of action taken to SEBI, within six months from the end of the half year period.

Further, SEBI vide circular number SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 titled **"Enhanced Supervision of Stock Brokers/Depository Participants"** has inter alia stated additional requirements in- relation to Internal Auditor which shall become effective as mentioned hereunder.

Further to SEBI Circular MIRSD/DPSIII/Cir-26/08 dated August 22, 2008. The following additional requirements in relation to internal auditors shall become applicable:

Appointment and Rotation of Internal auditors –

- a. Commodity Exchanges shall ensure that Member obtains from the internal auditor the following details and shares the same with the Commodity Exchange:
- Declaration stating that the internal auditor or its directors/partners have no interest in or relation with the Member concerned other than the proposed internal audit assignment, and
 - Details of the internal auditor viz., Name, Address, PAN, Designation of Auditor, Name & Address of the Audit Firm, registration number of the Auditor and the Audit firm, any regulatory action taken against internal auditor/partner/director, if any, etc.
- b. No stock broker shall appoint or re-appoint –
- an individual as internal auditor for more than one term of five consecutive years; and
 - an audit firm as internal auditor for more than two terms of five consecutive years
- Provided that –
- c. An individual internal auditor who has completed his term under clause b.1 above shall not be eligible for re- appointment as internal auditor for the same stock broker for five years from the completion of his term
- d. An audit firm which has completed its term under clause b.2 above, shall not be eligible for re- appointment as internal auditor for the same stock broker for five years from the completion of such term; Provided further that as on the date of appointment no audit firm having a common partner or partners to the other audit firm, whose tenure has expired in a stock broker immediately preceding the financial year, shall be appointed as internal auditor for the same stock broker for a period of five years.

Submissions of Internal Audit Report –

Members shall ensure that the internal audit reports are submitted to the Exchanges within two months of the end of respective half years for which the audit is being conducted. The due date for submissions shall be as under:

Sr. No.	Period of Audit	Due Date for submission
1.	For half year ending September 30th	November 30 th
2.	For half year ending March 31st	May 31 st

CHAPTER VII - ENHANCED SUPERVISION OF STOCK BROKERS

Exchange has issued circular nos. ICEX/MEM/2017/092 dated December 26, 2017 regarding guidelines for implementing the recommendations of SEBI constituted committee on "Enhanced Supervision of Stock Brokers". These guidelines cover the following broad areas:

- a. Uniform nomenclature to be followed by stock brokers for Naming/Tagging of Bank and Demat Accounts and the reporting of such accounts to the Stock Exchanges/Depositories. Member is required to report Bank & Demat Accounts with appropriate nomenclature within 1 week from the date of activation of terminal / Changes of such details
- b. Monitoring of Clients' Funds lying with the Members by the Exchanges, through a sophisticated alerting and reconciliation mechanism, to detect any mis-utilisation of client's fund. Member is required to submit the data as on last trading day of every week on or before the next 3 trading days.
- c. Data/details/Information pertaining to Risk Based Supervision. Member is required to submit the Data/details/Information for half year ending September 30th by November 30 and year ending March 31st by May 31st.
- d. Monitoring of Financial Strength of Members by Exchanges so as to detect any signs of deteriorating financial health of Members and serve as an early warning system to take pre-emptive and remedial measures.
- e. Imposition of uniform penal action on Members/depository participants by the Exchanges/Depositories in the event of non-compliance with specified requirements.
- f. Other Requirements:
 - i. Uploading client's funds and securities balances by Members to Exchange System and onwards transmission of the same to the clients for better transparency. Member is required to submit the data within 7 calendar days of the last trading day of the month.
 - ii. Clarification on Running Account Settlement
 - iii. Providing PAN details of Directors, Key Management Personnel and Dealers, to Exchanges and any change thereof. Member is required to report PAN details within 7 days from the date of activation of terminal / Changes of such details.

CHAPTER VIII - MISCELLANEOUS

1. **Internal Review** - Members should ensure that adequate internal review of their business to assist in detecting and preventing violations of and achieving compliance with Rules, Bye Laws, Business Rules and Circulars of the Exchange is in place.
2. **Display of Information/Notice Board** - All the Members of the Exchange are required to display Information/Notice board at prominent place in the prescribed format. Such notice board / Information Board must include details of Registration. Such board is required to be displayed at all offices of the member where the trading terminals are located. Members are also required to ensure that copy of registration certificate issued by the SEBI is displayed at the Head office and all branch offices.

The details of the Authorized Person(s) must be duly displayed on the Information/Notice board at the branch location where the Authorized Person is located.
3. **Stamp Duty** - Members of the Exchange shall ensure adherence to the rates and compliance requirements with respect to payment of stamp duty and pay the stamp duty as per applicable criteria and rates specified by the respective state government and the relevant Stamp Act.
4. **Statutory Dues** - The member should ensure that all the statutory dues are paid on time and there is no delay.
5. **Exchange LOGO/Emblem** - Members are not permitted to use the below mentioned Exchange Logo in any manner whatsoever.



In addition to the above Exchange logo, Members are not allowed to use any other Logo which the Exchange may prescribe from time to time.

6. **Schemes/Leagues/Competitions launched by registered Members** - SEBI has further issued following guidelines regarding Schemes/Leagues/Competitions launched by registered Members and advised to ensure strict compliance with the following requirements:

- a. Stock Broker or its associates/group company cannot directly or indirectly, sponsor or be associated with any schemes/leagues/competition, etc. which may involve distribution of monies/prizes/gifts/medals, etc.
 - b. No reference to Stock broker's name, logo etc. can be made in any schemes/leagues/competition, etc.
 - c. Stock broker cannot share any information of their clients with a third party, even with the clients' consent, in case any third party is involved in launching schemes/leagues/competition, etc.
 - d. Stock Broker cannot take any financial liability, including any contingent financial liability, on account of any schemes/leagues/competition, etc. launched by a third party.
 - e. The Stock Broker shall not enter into any tripartite agreement with clients/participants and the third party.
 - f. The following practice, given as part of 'Client information' under the heading 'Rights and obligations of Stock Brokers, Sub-brokers and Clients', as specified by SEBI vide circular CIR/MIRSD/16/2011 dated August 22, 2011 shall continue to apply as given below:-

"The stock broker and sub-broker shall maintain all the details of the clients as mentioned in the account opening form or any other information pertaining to the client, confidentially and that they shall not disclose the same to any person/authority except as required under any law/regulatory requirements.

Provided however that the stock broker may so disclose information about his client to any person or authority with express permission of the client."
 - g. The Member shall obtain written confirmation from the client that the client shall not have recourse to dispute redressal mechanism/arbitration mechanism/investor protection schemes of the Exchanges/SEBI in case the client avails the services under any schemes/leagues/competitions etc. offered by any third party.
- 7. Outsourcing of Activities by Intermediaries** - SEBI has issued guidelines on Outsourcing of Activities by Intermediaries. Members are required to refer the Exchange Circular no. [ICEX/MEM/2018/156 dated June 06, 2018](#) and ensures necessary compliance of applicable regulatory requirements mentioned therein.

8. Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)

SEBI has issued Guidance Note on Reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS). Members are requested to refer the Exchange Circular no. ICEX/MEM/2018/156 dated June 06, 2018 and to ensure necessary compliance of applicable regulatory requirements mentioned therein.

9. Appointment and change in Compliance officer - It is mandatory for every Member to intimate the Exchange as and when there is a change or at the time of appointment of Compliance Officer who will be responsible for monitoring the compliances of the member in respect of various circulars, guidelines, notifications, etc. issued by the Exchange / SEBI or any other relevant authority from time to time as specified under Circular No: ICEX/MEM/2018/156 dated June 06, 2018.

10. Appointment and change in Principal officer-FIU - It is mandatory for every Member to appoint a Principal Officer with FIU-IND and intimate the FIU & Exchange as and when there is a change or at the time of appointment of Principal Officer who shall ensure that the registered intermediaries properly discharge their legal obligations to report suspicious transactions to the authorities as specified under Circular No: ICEX/MEM/2018/156 dated June 06, 2018

The Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of Potentially suspicious transactions and shall have access to and be able to report to senior management at the next reporting level or the Board of Directors. Names, designation and addresses (including email addresses) of 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU. As a matter of principle, it is advisable that the 'Principal Officer' is of a sufficiently senior position and is able to discharge the functions with independence and authority.

11. Appointment and change in Designated Director-FIU - As per SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016 titled **Regulatory Framework for Commodity Derivatives Brokers** has made applicable In addition to the existing requirement of designation of a Principal Officer, the registered intermediaries (Members) shall also designate a person as a 'Designated Director'. In terms of Rule 2 (ba) of the PML Rules, the definition of a Designated Director reads as under:

“Designated Director means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes:

- (i) the Managing Director or a Whole-time Director duly authorized by the Board of Directors if
the reporting entity is a company,
- (ii) the managing partner if the reporting entity is a partnership firm,
- (iii) the proprietor if the reporting entity is a proprietorship concern,
- (iv) the managing trustee if the reporting entity is a trust,
- (v) a person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a body of individuals, and
- (vi) such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above."

Registered intermediaries (Members) shall communicate (intimate) the details of the Designated Director, such as, name, designation and address to the Office of the Director, FIU-IND to the the FIU & Exchange as and when there is a change or at the time of appointment of Designated Director-FIU.

It must also be ensured that the Member adheres to the Anti-Money Laundering norms as per Exchange circular no. ICEX/MEM/2018/156 dated June 06, 2018 and SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016, SEBI Circular SEBI Circular no. CIR/MIRSD/1/2014 dated Mar 12, 2014 and SEBI Circular no. CIR/MIRSD/2/2013 dated Jan 24, 2013 , Registration on FINnet Gateway - The Prevention of Money laundering Act, 2002 and the Rules thereunder requires every reporting entity (banking company, financial institution and intermediaries) to furnish various reports pertaining to financial transactions to FIU-IND. Members may note that the primary mode of submission of such reports to FIU-IND will be through the FINnet Gateway (FINgate) Portal, which is designed as a comprehensive interface between the reporting entities and FIU-IND. However, it has been informed by FIU that Members are not using the FINnet Gateway Portal for said purpose.

In view of the above, Members are hereby urged to register themselves on the FINnet Gateway Portal at <https://finnet.gov.in> to submit the reports and exchange information with FIU-IND. The

FINnet Gateway User Guide can be accessed at the below link
https://fiuindia.gov.in/files/downloads/Filing_Information.html

12. BPO / KPO Services - As per SEBI circular :-SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/92 dated September 23, 2016, provisions of Rule 8(1)(f) and 8(3)(f) of Securities Contracts (Regulation) Rules, 1957 and SEBI Circular number SMD/Policy/Cir-6/97 dated May 07, 1997 are made applicable with respect to BPO/ KPO services - segregation thereof from commodity derivative markets.

Rule 8(1)(f) of Securities Contracts (Regulation) Rules, 1957 inter-alia states that no person shall be eligible to be elected as a member if he is engaged as a principal or employee in any business other than that of commodity derivatives except as a broker or agent not involving any personal financial liability unless he undertakes on admission to sever his connection with such business:

Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957 inter alia states that no person who is a member at the time of application for recognition or subsequently admitted as a member shall continue as such if he engages either as principal or employee in any business other than that of commodity derivatives except as a broker or agent not involving any personal financial liability.

In view of the above Members have to segregate BPO / KPO services from commodity derivative markets. Members are requested to comply with the provisions of Rule 8(1) (f) and 8(3) (f) of Securities Contracts (Regulation) Rules, 1957.

13. Insurance Policy - It is mandatory for Members to have an Indemnity Insurance Policy so as to protect themselves from risks and hazards relating to their Business operations at the Exchange. Members are advised to obtain Insurance policy from any insurance company directly and the Exchange will not be collecting any premium from Members. The Member may report the compliance with the aforesaid requirement. Exchange circular no.ICEX/MEM/2017-014 dated February 14, 2017 read with SEBI Circular no. SMD/SED/RCG/270/96 dated January 19, 1996. Existing Members to upload the proof of renewed insurance policy on online module enabled on Electronic Debit & Credit Module (EDCM) under Member Supervision. Think for the same is <https://edcm.icexindia.com/edcm/rest/login>

14. System Audit of Members of the Exchange - Members using trading software are required to conduct system audit of their trading facility in accordance with the system audit framework.

With effect from quarter ending March 2019, registered Stock Brokers / Depository Participant using AI / ML based application or system as defined in Annexure B, are required to fill in the form (Annexure A) and make submissions on quarterly basis within 15 calendar days of the expiry of the quarter as per SEBI Circular no.: ICEX/INSP/2019/294 dated January 17, 2019.

- 15. Surveillance Obligations for Trading Members** - Exchange vide its circular no. ICEX/SURV/2017-044 dated August 21, 2017 has prescribed Surveillance Obligations for Trading Members. Members are requested to refer the same and to ensure timely compliance.
- 16. Compliance with the Financial Action task Force (FATF) statements** - Members are required to ensure compliance with the FATF public statements that are updated periodically at the following link: <https://www.fatf-gafi.org/> .