

**“PART – A”**

**RECENT REQUIREMENTS FROM JUNE 1, 2013 TO APRIL 30, 2014**

<b>Item 1- CONSTITUENT REGISTRATION</b>		
<b>Item No.</b>	<b>Subject</b>	<b>SEBI circular No. /Download No. /Circular No.</b>
1.1	<a href="#">Know Your Client (KYC) norms – e-KYC Service</a>	SEBI circular CIR/MIRSD/ 09/ 2013 dated October 8, 2013; Download Ref. No.: NSE/INSP/24676; Circular Ref. No.: 167/2013 dated October 8, 2013
1.2	<a href="#">Know Your Client Requirements</a>	SEBI circular CIR/MIRSD/07/2013 dated September 12, 2013; Download Ref. No.: NSE/INSP/24456; Circular Ref. No.: 166/2013 dated September 13, 2013; SEBI circular CIR/MIRSD/13/2013 dated December 26, 2013; Download Ref. No.: NSE/INSP/25392; Circular Ref. No.: 176/2013 dated December 26, 2013

<b>Item 2 - DEALINGS WITH CONSTITUENTS</b>		
<b>Item No.</b>	<b>Subject</b>	<b>SEBI circular No. /Download No. /Circular No.</b>
2.1	<a href="#">Clarifications regarding margin reporting</a>	Download Ref. No.: NSE/INSP/24805; Circular Ref No.: 168/2013 dated October 23, 2013.
2.2	<a href="#">Clarification on Actual Settlement of Funds &amp; Securities</a>	Download Ref. No.: NSE/INSP/24849; Circular Ref No.: 169/2013 dated October 29, 2013.
2.3	<a href="#">FAQs on Margin Collection and Reporting</a>	Download Ref. No.: NSE/INSP/25612; Circular Ref No.: 177/2014 dated January 20, 2014.
2.4	<a href="#">Pre-paid Schemes</a>	Download Ref. No.: NSE/INSP/26252; Circular Ref No.: 180/2014 dated March 24, 2014.

<b>Item 3- DEALING WITH INTERMEDIARIES</b>		
<b>Item No.</b>	<b>Subject</b>	<b>SEBI circular No. /Download No. /Circular No.</b>
3.1	<a href="#">Notification under regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007</a>	SEBI notification no. LAD-NRO/GN/2013-14/41/118 dated January 20, 2014; Download Ref. No.: NSE/INSP/25617; Circular Ref. No.: 178/2014 dated January 21, 2014

<b>Item 4 – COMPLIANCE AND INTERNAL AUDIT BY TRADING MEMBERS</b>		
<b>Item No.</b>	<b>Subject</b>	<b>SEBI circular No. /Download No. /Circular No.</b>
4.1	<a href="#">Internal Audit of Trading members / Clearing members</a>	Download Ref. No NSE/INSP/24872; Circular Ref. No.: 170/2013 dated October 31, 2013; Download Ref. No NSE/INSP/26582; Circular Ref. No.: 181/2014 dated April 30, 2014;
4.2	<a href="#">Executions of Orders</a>	Download Ref.No.: NSE/COMP/23792; Circular Ref.No.: 96/2013 dated July 1, 2013; Download Ref.No.: NSE/COMP/23927, Circular Ref.No.: 100/2013 dated July 18, 2013; Download Ref.No.: NSE/COMP/24607, Circular Ref.No.: 111/2013 dated October 1, 2013; Download Ref.No.: NSE/COMP/25426, Circular Ref.No.: 120/2013 dated December 31, 2013; Download Ref.No.: NSE/COMP/26321, Circular Ref.No.: 137/2014 dated March 31, 2014

<b>Item 5 - APPLICABLE FINE STRUCTURE</b>		
<b>Item No.</b>	<b>Subject</b>	<b>SEBI circular No. /Download No. /Circular No.</b>
5.1	<a href="#">List of violations and applicable penalties (CM, WDM, F&amp;O and CD Segments)</a>	Download Ref. No.: NSE/INSP/23768; Circular Ref. No.: 163/2013 dated June 27, 2013

<b>Item 6 – CONTRACT NOTE</b>		
<b>Item No.</b>	<b>Subject</b>	<b>SEBI circular No. /Download No. /Circular No.</b>
6.1	<a href="#">Format of Contract Notes</a>	Download Ref. No.: NSE/INSP/23739; Circular Ref. No.: 162/2013 dated June 24, 2013; Download Ref. No.: NSE/INSP/24937; Circular Ref. No.: 171/2013 dated November 8, 2013; Download Ref. No.: NSE/INSP/25030, Circular Ref. No.: 173/2013 dated November 18, 2013; Download Ref. No.: NSE/INSP/26233, Circular Ref. No.: 179/2014 dated March 20, 2014

<b>Item 7 – CONFLICTS OF INTEREST</b>		
<b>Item No.</b>	<b>Subject</b>	<b>SEBI circular No. /Download No. /Circular No.</b>
7.1	<a href="#">General Guidelines for dealing with Conflicts of Interest of Intermediaries, Recognised Stock Exchanges, Recognised Clearing Corporations, Depositories and their Associated Persons in Securities Market.</a>	SEBI circular No. CIR/MIRSD/5/2013 dated August 27, 2013; Download Ref. No.: NSE/INSP/24301; Circular Ref. No.: 164/2013 dated August 29, 2013.

<b>Item 8 – STAMP DUTY</b>		
<b>Item No.</b>	<b>Subject</b>	<b>SEBI circular No. /Download No. /Circular No.</b>
8.1	<a href="#">Online payment of Stamp Duty by Trading Members</a>	Download Ref. No.: NSE/INSP/24423; Circular Ref. No.: 165/2013 dated September 11, 2013.

## **RECENT REQUIREMENTS FROM JUNE 1, 2013 TO APRIL 30, 2014**

### **Item 1**

#### **CONSTITUENT REGISTRATION**

##### **(1.1) Know Your Client (KYC) norms - e-KYC Service**

(SEBI circular CIR/MIRSD/ 09/ 2013 dated October 8, 2013; Download Ref. No.: NSE/INSP/24676; Circular Ref. No.: 167/2013 dated October 8, 2013)

SEBI in consultation with Unique Identification Authority of India (UIDAI) and the market participants has decided to accept e-KYC service launched by UIDAI, as a valid process for KYC verification by the intermediary after obtaining necessary authorisation from client.

##### **(1.2) Know Your Client Requirements**

###### **Foreign Investors**

(SEBI circular CIR/MIRSD/07/2013 dated September 12, 2013; Download Ref. No.: NSE/INSP/24456; Circular Ref. No.: 166/2013 dated September 13, 2013)

This is with reference to SEBI circular CIR/MIRSD/11/2012 dated September 05, 2012 on know your client requirements in case of foreign investors. SEBI has directed that eligible foreign investors investing under Portfolio Investment Scheme ('PIS') route shall be classified as Category I, II and III as provided in Annexure A of the circular. Certain clarifications on KYC norms are issued, as given in Annexure B of the circular, based on the category of these investors. Eligible foreign investors investing under PIS route shall be subject to KYC review as and when there is any change in material information / disclosure. The provisions of this circular are applicable for both the new and existing clients.

###### **Account Opening Form (AOF)**

(SEBI circular CIR/MIRSD/13/2013 dated December 26, 2013; Download Ref. No.: NSE/INSP/25392; Circular Ref. No.: 176/2013 dated December 26, 2013)

This is with reference to SEBI circular MIRSD/SE/Cir-21/2011 dated October 5, 2011 regarding Know Your Client requirements where in format of account opening form was given. Further, SEBI has revised the format of the Know Your Client form (KYC). Certain information contained in Section C of Part I (KYC) have been shifted to Part II (additional information specific to dealing in the stock exchange(s)) of the account opening form.

### **Item 2**

#### **DEALINGS WITH CONSTITUENTS**

##### **(2.1) Clarification regarding Margin Reporting**

(Download Ref. No.: NSE/INSP/24805; Circular Ref No.: 168/2013 dated October 23, 2013)

The Exchange has clarified that cheque received/ recorded in the books of member on or before T day as shall be considered as adequate margin from client provided the same has been deposited by T+1 day (excluding bank holiday, if any) and cleared subsequently within T+5 days. Members should ensure that only cheques which are cleared should be considered and cheques dishonoured or not cleared up to T+5 working days should not be reported as margin collected.

Failure to report the correct margins to the Exchange may result in false margin reporting by the Member and accordingly appropriate actions, as applicable, may be initiated by the relevant authority.

## **(2.2) Clarification on Actual Settlement of Funds & Securities**

(Download Ref. No.: NSE/INSP/24849; Circular Ref No.: 169/2013 dated October 29, 2013.)

Based on representations received from investors and members, the Exchange in consultation with SEBI, provided certain clarifications on Actual settlement of Funds and Securities for clients.

## **(2.3) FAQs on Margin Collection and Reporting**

(Download Ref. No.: NSE/INSP/25612; Circular Ref No.: 177/2014 dated January 20, 2014.)

Based on queries received from Members with respect to Client Margin collection and reporting, Exchange has issued clarifications in the form of frequently asked questions (FAQs) for Margin Collection and Reporting. The same is also made available at:

[http://www.nseindia.com/content/members/faq\\_mrg\\_rep.pdf](http://www.nseindia.com/content/members/faq_mrg_rep.pdf)

## **(2.4) Pre-paid Schemes**

(Download Ref. No.: NSE/INSP/ NSE/INSP/26252; Circular Ref No.: 180/2014 dated March 24, 2014.)

Brokers are advised to properly document and disclose to their clients details of schemes where funds are being collected in advance from them towards brokerage and other allied services. Any complaints received against brokers in this respect will be viewed very seriously and would be liable for disciplinary action against broker.

### **Item 3**

#### **DEALING WITH INTERMEDIARIES**

### **(3.1) Notification under regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007**

(SEBI notification no. LAD-NRO/GN/2013-14/41/118 dated January 20, 2014; Download Ref. No.: NSE/INSP/25617; Circular Ref. No.: 178/2014 dated January 21, 2014)

This is with reference to Regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007 and SEBI notification no. LAD-NRO/GN/2010-11/12/10230 on June 29, 2010. Further, SEBI has published in the Gazette of India, notification no. LAD-NRO/GN/2013-14/41/118 dated January 20, 2014 extending the period for obtaining NISM- Series-IV: IRD Certification by such approved users and sales personnel, of the trading members who are registered in the currency derivatives segment of a recognized stock exchange and trading in interest rate derivatives, for a period of two years from the date of the notification.

#### **Item 4**

### **COMPLIANCE AND INTERNAL AUDIT BY TRADING MEMBERS**

#### **(4.1) Internal Audit of Trading members / Clearing members**

(Download Ref. No NSE/INSP/24872; Circular Ref. No.: 170/2013 dated October 31, 2013; Download Ref. No NSE/INSP/26582; Circular Ref. No.: 181/2014 dated April 30, 2014)

Further to Circular Ref. No.: 170/2013 (download reference no. NSE/INSP/24872) dated October 31, 2013 requiring all trading members / clearing members to carry out complete internal audit on a half yearly basis by independent qualified Chartered Accountants or Company Secretaries or Cost and Management Accountants who are in practice and who do not have any conflict of interest, the next Internal Audit is required to be carried out for the period from October 01, 2013 to March 31, 2014 and the Internal Audit Reports are required to be submitted on or before June 30, 2014. Exchange has made process for submission of Internal Audit Report online through ENIT. Following point need to be observed while submitting the report:

- i. Members to create a login id for their Internal auditor.
- ii. Internal Auditor to conduct the Audit and upload the digitally signed report to the ENIT
- iii. Once Internal audit report is uploaded on ENIT, Member shall provide their management comments and submit the Audit report to the Exchange.
- iv. Submission shall be considered final only when the final report along with the management comments is received by the Exchange through the above process .

Format for Internal Audit;

1. Internal Audit certificate as Annexure I,
2. Revised format of Internal Audit Report as Annexure II - (Excel File-"IARNSEMAR14"),
3. Revised sample size & points to be noted as Annexure III,
4. List of Indicative Processes & reference of Exchange/SEBI circulars as Annexure IV,
5. Actions for non-compliance as Annexure V.
6. Detailed manual for submission of Audit report as Annexure VI

#### **(4.2) Execution of Orders**

(Download Ref.No.: NSE/COMP/23792; Circular Ref.No.: 96/2013 dated July 1, 2013; Download Ref.No.: NSE/COMP/23927, Circular Ref.No.: 100/2013 dated July 18, 2013; Download Ref.No.: NSE/COMP/24607, Circular Ref.No.: 111/2013 dated October 1, 2013; Download Ref.No.: NSE/COMP/25426, Circular Ref.No.: 120/2013 dated December 31, 2013; Download Ref.No.: NSE/COMP/26321, Circular Ref.No.: 137/2014 dated March 31, 2014)

Limit setting on terminals at the time of order placement in CM, F&O and CD segments and requirement of quarterly compliance certificate to be submitted by Compliance Officer. **Further, setting of security wise limit for user id has been made optional.**

### **Item 5**

#### **APPLICABLE FINE STRUCTURE**

##### **(5.1) List of violations and applicable penalties (CM, WDM, F&O and CD Segments)**

(Download Ref. No.: NSE/INSP/23768; Circular Ref. No.: 163/2013 dated June 27, 2013)

Based on the findings during inspections conducted in the past and review of the commonly observed compliance issues, grouping of violations and the penalties thereof have been revised. Penalties are indicative in nature and could undergo change in specific cases depending on frequency and gravity of the violations. Actions in respect of violations having high impact would be dealt on case to case basis depending on seriousness and gravity of such violations.

Further to the above, details include revised list of common violations and the applicable penalties including escalation of penalties for repeat violations.

Members are hereby required to take preventive steps to avoid the violations and to put systems and procedures in place so as to ensure compliance with the applicable requirements.

### **Item 6**

#### **CONTRACT NOTES**

##### **(6.1) Format of Contract Notes**

(Download Ref. No.: NSE/INSP/23739; Circular Ref. No.: 162/2013 dated June 24, 2013; Download Ref. No.: NSE/INSP/24937; Circular Ref. No.: 171/2013 dated November 8, 2013; Download Ref. No.: NSE/INSP/25030, Circular Ref. No.: 173/2013 dated November 18, 2013; Download Ref. No.: NSE/INSP/26233, Circular Ref. No.: 179/2014 dated March 20, 2014)

Formats of Contract notes to be issued by members in various segments as specified in Exchange circular NSE/INSP/23671 dated June 13, 2013 were modified.

In consultation with SEBI, other Exchanges and Member Associations, Exchange issued the format of common contract note across CM, F&O and CD segments and across all Exchanges to be implemented by April 01, 2014. Based on the feedback received from the market participants the date of implementation of the Common contract note is extended till June 2, 2014.

##### **Format of Contract Notes for Debt Segment**

**The Exchange has introduced the Debt Segment w.e.f May 13, 2013. Format of the contract note for the trades executed in debt segment was also issued.**

With reference to the SEBI circulars CIR/MRD/DP/03/2013 dated January 24, 2013 and CIR/MRD/DP/27/2013 dated September 24, 2013 and Regulation 3.5.1 of Part-A of Capital Market Regulations of the Exchange, format of the Contract Note for Negotiated Trades in Debt segment of the Exchange was issued.

All formats of contract notes & clarification on brokerage, statutory levies and regulatory levies and charges are given in PART – C of this circular.

### **Item 7**

#### **CONFLICTS OF INTEREST**

**(7.1) General Guidelines for dealing with Conflicts of Interest of Intermediaries, Recognised Stock Exchanges, Recognised Clearing Corporations, Depositories and their Associated Persons in Securities Market.**

(SEBI circular No. CIR/MIRSD/5/2013 dated August 27, 2013; Download Ref. No.: NSE/INSP/24301; Circular Ref. No.: 164/2013 dated August 29, 2013)

SEBI has decided to put in place comprehensive guidelines to collectively cover Intermediaries, Recognised Stock Exchanges, Recognised Clearing Corporations, Depositories (hereinafter collectively referred to as "such entities") and their associated persons, for elimination of their conflict of interest. Such entities shall be responsible for educating their associated persons for compliance of the guidelines. The Boards of such entities shall put in place systems for implementation of the guidelines and provide necessary guidance enabling identification, elimination or management of conflict of interest situations.

### **Item 8**

#### **STAMP DUTY**

**(8.1) Online payment of NSE turnover stamp duty.**

(Download Ref. No.: NSE/INSP/24423; Circular Ref. No.: 165/2013 dated September 11, 2013)

Pursuant to the Exchange circular NSE/MEM/10958 dated July 9, 2008, letter dated August 22, 2013 was received from the office of Collector of Stamps Enforcement, Mumbai, bearing reference No. 1/2/360/13 regarding online payment of NSE turnover stamp duty by trading members. Pursuant to said letter General Stamp Office Sales Branch has, via notice, directed all branches to stop collection of Stamp duty and penalty amount through DD and Pay Order from 16/08/2013 and use GRAS system for online collection of the same from trading members.