

CHAPTER – 13**COMPLIANCE****By a Trading Member / Clearing Member****13.1 Annual Accounts and Audit**

13.1.1 Every trading member / clearing member shall prepare annual accounts for each financial year ending on 31st March or on such other date, as may be specified by the Relevant Authority from time to time.

13.1.2 The assets and liabilities of a trading member / clearing member shall be brought into account in the balance sheet and shall be classified and described therein in such manner that the balance sheet gives a true and fair view of the state of affairs of such business as on the date to which it relates.

Every trading member / clearing member shall submit to the Exchange its audited financial statement within such period, not later than the period by which the return of income tax is required to be filed. If the Relevant Authority is, however, satisfied that circumstances warrant an extension of time to furnish such report beyond the period by which the return of income tax is required to be filed, it may grant an extension of such time not exceeding one month at a time, subject to such conditions as it may deem fit, which extension, in aggregate, shall not be for a period of more than three months.

13.2 Maintenance of Records and Accounts**13.2.1 Records and Accounts**

Every trading member / clearing member shall comply with all relevant statutory Acts, including Securities Contracts (Regulation) Act and the Rules made thereunder, Securities and Exchange Board of India Act and the Rules and Regulations and guidelines issued thereunder, and the requirements of or under any notifications, directives and guidelines relating to maintenance of accounts and records issued by the Central

Government, SEBI or any other statutory body or local authority or any other body or authority, acting under the authority or direction of the Central Government, to the extent applicable to each of them.

13.2.2 Other Maintenance Requirements

In addition to the requirements specified in Bye-law 13.2.1, every trading member / clearing member shall comply with the following requirements and such other requirements relating to maintenance of books of accounts, records and documents in respect of his trading / clearing membership and applicable to the relevant clearing segments of the Exchange / Clearing Corporation.

13.2.3 Maintenance of Other Records, Accounts and Documents

Every trading member / clearing member of the Exchange / Clearing Corporation shall maintain the following records, accounts and documents relating to his business for a period of five years.

- 13.2.3.1** A register of transactions, in electronic mode in non-tamperable form or in hard copy, containing the details pertaining, inter-alia, to all sale or purchase transactions entered into, the parties to such transactions, date and time of placement of orders for transactions and date and time of execution of such transactions, the price at which the securities were bought/sold, names of the concerned clients, and the brokerage and clearing charges, if any, charged by the trading member.
- 13.2.3.2** A Clients' ledger, in electronic mode in non-tamperable form or in hard copy.
- 13.2.3.3** A General ledger, in electronic mode in non-tamperable form or in hard copy.
- 13.2.3.4** Journal book, in electronic mode in non-tamperable form or in hard copy.

- 13.2.3.5** Cash book, in electronic mode in non-tamperable form or in hard copy.
- 13.2.3.6** Bank pass-book or bank statement, in electronic mode in non-tamperable form or in hard copy.
- 13.2.3.7** Documents register showing full particulars of shares and securities received and delivered, in electronic mode in non-tamperable form or in hard copy.
- 13.2.3.8** Statements of obligations received from the Clearing Agency relating to different clearing(s), in electronic mode in non-tamperable form or in hard copy.
- 13.2.3.9** Records of all statements received from the Clearing Agency and Clearing Bank and record of all correspondence with them.
- 13.2.3.10** Trading member's contract books showing details of all contracts entered into by him with other trading members of the exchange or counter-foils or duplicates of memos of confirmation issued to such other trading members, in electronic mode in non-tamperable form or in hard copy.
- 13.2.3.11** Counter-foils or duplicates of contract notes issued to clients, in electronic mode in non-tamperable form or in hard copy.
- 13.2.3.12** Written consent of clients in respect of contracts entered into as principals.
- 13.2.3.13** Copies of all instructions obtained in writing from each of the clients.
- 13.2.3.14** Records in respect of monies borrowed and loaned, including monies received.
- 13.2.3.15** Records in respect of clearing charges collected separately from each of the clients.
- 13.2.3.16** Such records and books of accounts, as may be necessary to distinguish clients' information from his own information, including details of transactions, margins and settlement related information, as may be provided in the relevant

Regulations and for such period, as may be specified by the Relevant Authority from time to time.

13.2.4 Every trading member / clearing member shall maintain and preserve the following documents for a period of two years to the extent applicable to each of them:

- 13.2.4.1** Copies of contract notes showing details of all contracts entered into by him with other trading members on the Exchange, in soft copy or in hard copy.
- 13.2.4.2** Duplicates of contract notes issued to the clients and duly acknowledged by them, in soft copy or in hard copy.
- 13.2.4.3** Written consent of clients in respect of contracts entered into as principals.
- 13.2.4.4** Copies of all instructions obtained in writing from each of the clients.
- 13.2.4.5** Records in respect of moneys borrowed and loaned, including moneys received.
- 13.2.4.6** Records in respect of clearing charges collected separately from each of the clients.
- 13.2.4.7** Such records and books of accounts, as may be necessary to distinguish clients' information from his own information, including details of transactions, margins and settlement related information, as may be provided in the relevant Regulations and for such period, as may be specified by the Relevant Authority from time to time.

The books of account, records and documents required to be maintained and preserved as above shall be subject to the provisions of the Information Technology Act, 2000 in so far as these provisions are applicable.

13.3 Maintenance of Separate Clients' Bank Account

Every trading member / clearing member shall keep the money of his clients in one or more separate bank accounts and his own money shall also be kept in one or more separate bank accounts. No payment for transactions in which the trading member has taken a position as a principal for his own account shall be allowed to be made from the clients' account

13.4 Records of Moneys Received and Paid

Every trading member / clearing member shall keep such books of accounts, as will be necessary, in connection with his business as a trading member / clearing member, to the extent applicable to each of them to show and distinguish:

13.4.1 the moneys received from or on account of each of his clients and the moneys paid to or on account of each of his clients, and

13.4.2 the moneys received and the moneys paid on trading member's / clearing member's own account.

13.5 Transfers To and From Clients' Accounts

No money shall be drawn from clients' account other than money properly required for payment to or on behalf of clients or for or towards payment of a debt due to the trading member / clearing member from clients or money drawn on client's authority, or money in respect of which there is a liability of clients to the trading member / clearing member, provided that the total money so drawn shall not in any case exceed the total of the money so held for the time being for clients, such money belonging to the trading member / clearing member as may have been paid into the clients' account as contained herein above, and money, which may by mistake or accident has been paid into clients' account in contravention of requirements specified herein.

13.6 Right to Lien, Set-off Not Affected

Nothing in these Bye-laws shall deprive a trading member / clearing member of any recourse or right, whether by way of lien, set-off, counter claim, charge(s) or

otherwise against moneys standing to the credit of a client's account and a trading member's / clearing member's account.

13.7 Place Where Records Maintained

Every trading member / clearing member shall be required to maintain his records, accounts and documents at the Registered Office or Corporate Office of the trading member / clearing member unless the trading member / clearing member has obtained specific prior approval from the Exchange to maintain at a place other than the Registered Office or Corporate office, and the same shall be made available, at any time, for audit or inspection by the Exchange.

13.8 Agreement with Clients

Every trading member shall enter into an agreement, as may be prescribed by the Exchange or SEBI from time to time, with each of his clients before executing any order from any client for buy or sell of any security on the Exchange. If any trading member is found to have violated or not strictly adhered to this requirement, such trading member shall render himself liable for fine and/or any other disciplinary action, as may be provided in the relevant Regulations from time to time and as the Relevant Authority may deem fit. Every trading member shall be required to maintain strict confidentiality of information relating to each of the clients and shall disclose or submit the same to the Exchange, Clearing Agency, SEBI or any other government or regulatory authority or any other agency specifically authorized by the Exchange, on demand made in writing.

13.9 Agreement with Sub-brokers

Every trading member shall enter into an agreement, as may be prescribed by the Exchange or SEBI from time to time, with each of his sub-brokers before executing any order from any sub-broker to buy or sell any security on the Exchange. The agreement shall provide for a right to the trading member to inspect the books of account and other documents of the sub-broker. If any

trading member is found to have violated or not strictly adhered to this requirement, such trading member shall render himself liable for fine and/or other disciplinary action, as may be provided in the relevant Regulations from time to time and as the Relevant Authority may deem fit.

13.10 Furnish Particulars of Unique Client Code

Every trading member shall be responsible to furnish to the Exchange, in an electronic mode, particulars of unique client codes of each of his clients, as may be specified by the Exchange or SEBI, at such intervals and within such time, and as may be provided in the relevant Regulations from time to time.

13.11 Compliance Officer

Every trading member / clearing member shall be required to appoint a compliance officer, as may be required under the applicable SEBI Regulations, to ensure due compliance with various regulatory requirements, as may be specified in relevant Acts, Statutory Rules, Bye-laws, Rules, Regulations, directives, guidelines, circulars, orders or any order or document conveying the decision or order of the Central Government or SEBI or the Exchange or Clearing Agency or any other Government or Statutory Authority, from time to time and more particularly in relation to the requirements set out herein below, which will be the responsibility of the trading member to strictly adhere to. In case no compliance officer is appointed or the name of the officer is not intimated to the Exchange, the Managing Director and in his absence the Executive Director shall be deemed to be the compliance officer. In the absence of the Executive Director, the Whole time director, failing which the Chief Executive Officer shall be deemed to be the compliance officer. The compliance officer shall be responsible for submitting a report to the Exchange or Clearing Agency, as the case may be, with regard to compliance with each of the requirements set out herein below at such time and in such manner, as may be specified by SEBI or the Exchange or Clearing Agency, pointing out any non-compliance, delay in compliance or violation observed by him:

13.11.1 Base Minimum Capital Requirement

That the trading member / clearing member has maintained the base minimum capital requirements, in the form and proportion, as specified by the Exchange from time to time.

13.11.2 Annual Subscription

That the trading member / clearing member has paid the annual subscription within the time, as specified by the Exchange from time to time.

13.11.3 Registration Fees to SEBI

That the trading member has paid the applicable registration fees to SEBI, as is payable within the time, as specified under the SEBI Rules and Regulations that may be in force from time to time.

13.11.4 Have Insurance Cover or Policy

That the trading member / clearing member has taken insurance cover or policy, as specified by SEBI and, inter alia, covering the risk against introduction of fake or forged share certificate and/or transfer deeds, infidelity of employees working, errors and omissions in relation to punching of any order on behalf of a client or carrying out any activity relating to trading and/or settlement to discharge timely obligations, either directly or through any other agency recognized for that purpose, to the Exchange or Clearing Agency from time to time.

13.11.5 Collect Upfront Margin or Applicable Margin from Clients

That the trading member / clearing member has collected the upfront margin or deposit in the form and proportion, that are in force and payable from time to time and also other applicable margins from each of the clients, as specified by the Exchange or Clearing Agency from time to time, and pointing out the extent of violation and/or non-compliance as stipulated above.

13.11.6 Furnish Particulars of Unique Client Code to the Exchange

That the trading member has collected the requisite particulars relating to unique client code from each of the clients, as required by the Exchange from time to time, and pointing out the extent of non-compliance, if there is any non-compliance on account of non-submission and/or concealment of requisite particulars.

13.11.7 Reconcile Accounts With Each of the Clients

That the trading member / clearing member has reconciled accounts with each of the clients up to the last date of relevant calendar quarter, and pointing out the extent of discrepancy observed, if any.

13.11.8 Redress Investors' Grievance or Complaint Within One Month

That the trading member / clearing member has maintained a register for the purpose of recording receipts of any complaint or grievance received from any client and that there is no complaint pending for a period exceeding one month as on the last day of the relevant calendar quarter, and pointing out details of complaints pending for a period exceeding one month, if any.

13.11.9 Have Separate Bank Account for Clients

That the trading member / clearing member has maintained a separate single consolidated bank account for all the clients or for each of the clients or combination thereof and the requirement specified in the Bye-laws in relation to depositing any amount received from clients and its use are fully complied with, and pointing out the extent of non-compliance of this requirement and details thereof, if any

13.11.10 Issue of Contract Notes only by Trading Members

That the trading member has issued contract notes, incorporating the details as required by the Exchange, for the transactions executed on the ATS of the Exchange, to the sub-brokers wherever they exist or to each of the clients separately, latest on the next working day, and pointing out the extent of non-compliance of this requirement and details thereof, if any.

13.11.11 Submission of Net worth Certificate by Trading Members / Clearing Members to the Exchange

That the trading member / clearing member has submitted a net worth certificate to the Exchange or Clearing Agency, as required within the stipulated time and certifying that the prescribed computation method has been adopted to arrive at the net worth.

13.11.12 Submission of Various Details or Documents by Trading Members / Clearing Members to the Exchange

That the trading member/clearing member has submitted various details, undertakings and documents, as specified by the Exchange or Clearing Agency from time to time, where the compliance officer is made responsible to send a report to the Exchange.

13.12 Compliance Requirements Equally Applicable to Sub-brokers

Every trading member shall be responsible to ensure that all the regulatory requirements that may be in force from time to time and specifically enumerated hereinabove and as may be included in the relevant Regulations from time to time, shall be applicable mutatis mutandis to each of his sub-brokers. The concerned trading members shall be fully accountable and responsible for any of the non-compliances or violations or delays in compliance by the sub-brokers and shall be subject to fine and/or any other disciplinary actions, as may be provided in the relevant Regulations from time to time, and as the Relevant Authority may deem fit, taking into account the facts and circumstances and gravity of consequences of non-compliance in each case.

13.13 Non-compliance or Delay in Compliance or Violation of Requirements by Trading Members / Clearing Members

A trading member / clearing member, not complying with or violating any one or more of the requirements specified in this Chapter, shall be liable for fine and/or any other disciplinary action, as may be provided in the relevant Regulations from time to time, which may, inter alia, include reduction of exposure limits

and/or withdrawal of or restriction in trading facility until each of such requirements not complied with, is fully and strictly adhered to.

13.14 By a Client

Every client shall be required to exercise due diligence and comply with the stipulated requirements as may be in force from time to time and as may be specified by the Exchange in that regard before placing any order for buy or sell of a security, which will assist the Exchange in rendering grievance redressal services effectively. Such requirements may, inter alia, include the following:

13.14.1 Details Required by the Exchange or SEBI

Furnish all such details as are required by a trading member and in such form as may be prescribed by the Relevant Authority from time to time, more particularly as may be specified by SEBI or the Exchange or Clearing Agency, before entering into an arrangement for buy or sell of a security through the trading system of the Exchange, to satisfy the trading member about his credentials.

13.14.2 Executing Agreement

Execute a broker-client relationship agreement in the form prescribed by SEBI or the Relevant Authority from time to time.

13.14.3 Demanding Details From Trading Member

Demand such information, details and documents, for the purpose of verification, as are necessary to satisfy about the credentials of the trading member.

13.14.4 Mode of Giving Orders to Trading Member

Give any order for buy or sell of a security, as far as possible in writing, or in such other form or manner, as may be specifically agreed upon in writing by the client and the trading member.

13.14.5 Demand Trade Confirmation

Demand trade confirmation number from the trading member for execution of an order, either in writing or in any agreed mode or over phone.

13.14.6 Make Payment of Margin or Deposit Upfront

Make payment of upfront margin and/or other applicable margins, including additional or special margin, and/or of advance pay-in of funds, as may be specified by the Exchange or Clearing Agency from time to time, by an account payee's cheque or demand draft or pay order or through any other approved mode, crediting the account of the concerned trading member.

13.14.7 Delivery of Securities Sold On Time

Deliver the securities in the demat mode by crediting the pool account of the concerned trading member by giving necessary delivery instructions to the Depository Participant with whom the client has a beneficiary account, as may be provided in the relevant Bye-laws and Regulations from time to time, to facilitate the concerned trading member to discharge the obligations to the Exchange or Clearing Agency against the settlement obligations and also avail of benefits in exposure and applicable margin by effecting early pay-in of securities.

13.14.8 Demand Confirmation for Payment Made

Demand confirmation of receipt of payment made to the trading member, either by obtaining a receipt therefor or a confirmation in writing therefor or getting such details incorporated in the contract note or bill that is required to be issued to the client by the concerned trading member, or by obtaining a statement of account, within five working days from the last day of the previous calendar month, in which the payment was made.

13.14.9 Demand Pay-out of Securities or Money Due from Trading Member / Clearing Member

If payment and/or delivery arising out of pay-out is not made by the trading member / clearing member within one working day of the pay-

out effected by the Exchange or Clearing Agency, or during an agreed period not exceeding five working days following the due date for payment / delivery, demand payment against the securities sold and delivered, or towards credit arising out of the executed transactions and/or demand delivery for the payment made.

13.14.10 Complaint Against Trading Member / Clearing Member

In case where a client has any complaint against his trading member / clearing member arising on account of the trading member not complying with any one or more of the requirements specified in the relevant Bye-laws and Regulations, within the time and in the manner as required therein, the concerned client may lodge a complaint with the Exchange or Clearing Agency, within a period not exceeding thirty calendar days reckoned from the date of transaction or from the date on which the client claims to have given instruction / order to buy or sell a security or from the date the client claims to have paid money or given a security, as the case may be, to the concerned trading member / clearing member, citing the exact details of non-compliance by the trading member and providing information about the independent efforts made by the client with the trading member to get the complaint redressed by the trading member.

13.14.11 Resolving Complaint or Grievance

Any complaint or grievance received from a client against a trading member shall be dealt with by the Exchange as may be provided in the relevant Bye-laws from time to time, relating to Investors' complaints or grievances, and as may be provided in the relevant Regulations from time to time.

13.15 By a Company

Every company listed on the Exchange shall be required to notify to the Exchange the name, address, telephone numbers, fax numbers, e-mail address and such other particulars as may be required from time to time in relation to the compliance officer, who shall be a qualified Company Secretary and who shall be solely and fully responsible for the purpose of sending a report to the Exchange,

for every calendar quarter, within such time as may be provided in the relevant Regulations from time to time, pointing out the violations, non-compliances or delays in compliance, specifically with respect to various requirements, as may be contained in the Listing Agreement entered into by the company with the Exchange or such other requirements, as may be advised by the Exchange to the company from time to time, with a view to safeguarding and protecting the interests of the investors and for ensuring market integrity and fairness in trading. The requirements may, interalia, include the following:

13.15.1 Transfer of Securities Within Stipulated Time

Transfer of securities in favour of the transferee within such time reckoned from the date of receipt of the transfer documents and found to be otherwise in order, as may be provided in the relevant Regulations from time to time.

13.15.2 Return of Transfer Documents Under Objection Within Stipulated Time

Return of the transfer documents to the transferee with an objection memo citing the reason for non-transfer and attaching therewith a copy of any order or interim order or injunction or stay order or plaint duly lodged with a competent court, issued by the competent court or authority, within such time reckoned from the date of receipt of the transfer documents, as may be provided in the relevant Regulations from time to time.

13.15.3 Converting Physical Form Into Demat Mode

Convert the physical form of shares or securities into demat form within such time, reckoned from the date of receipt of the requisite documents from the holder of the shares or securities and intimate to the shareholder about the fact of the securities being converted into demat, specifying the date of effecting demat, as may be provided in the relevant Regulations from time to time.

13.15.4 Issuing Certificates or Crediting Securities Within Stipulated Time

Issue certificates for equity shares or preference shares or debentures and/or allotment letters to the holders, be they in relation to the public issue, further issue or bonus issue or any other issue, within such time, as may be specified in the relevant Regulations from time to time.

13.15.5 Payment of Dividend

Pay the dividend, by way of account payee's cheque payable at par or credit the dividend to the accounts of the shareholders who have given such instructions, within the time stipulated in the Companies Act, to the shareholders or persons entitled to receive them.

13.15.6 Payment of Interest and Other Amounts

Pay the interest accrued on the debentures and/or deposits, and/or the amount payable on redemption of the debenture and/or on maturity of the deposits, by way of account payee's cheque payable at par, so as to reach the holders of the debentures or deposits on or before the last date upto which such interest is paid, or within seven calendar days from the date the debenture is redeemed or the deposits have matured.

13.15.7 Refund Excess Money in Public or Other Issue

Refund the excess money received and/or return the stock invests against the application made by any investor or shareholder, in respect of any public issue, further issue or any other issue, rejected in part or full, within such time as may be specified by SEBI and as may be required under the Companies Act, from time to time in that regard. In case where the company delays in refunding the excess money to the applicant, the company shall be liable to pay interest on such amount for the delayed period at the rate, as may be prescribed by SEBI or under the Companies Act from time to time.

13.15.8 Despatching Rights Forms Within Stipulated Time

Despatch forms relating to the rights issue to the shareholders within such time and in such form and manner, as may be specified in the

Companies Act and/or other requirements, as may be specified by SEBI or the Exchange from time to time.

13.15.9 Book-Closure or Record Date Intimation to the Exchange

Intimate in writing to the Exchange about the date of book-closure and/or record date, giving a notice of the prescribed period, as may be specified in the Listing Agreement and/or in the relevant Bye-laws and Regulations from time to time.

13.15.10 Submitting Information, Details and Documents Within Stipulated Time

Submit various information, details and documents, within such time and in such manner and mode, as may be specified in the Listing Agreement and/or in the relevant Bye-laws and Regulations from time to time and submit necessary clarification or confirmation, as the case may be, in writing, in compliance with the Exchange communication relating to news item.

13.16 Non-compliance by a Company

In case where a company has failed to comply with or violated or made delay in compliance with any one or more of the requirements that may be specified by the Exchange from time to time, or as contained in the Listing Agreement or under the Companies Act or the Rules made thereunder or under Depositories Act and the Rules and Bye-laws made thereunder, or guidelines, notifications, circulars issued by SEBI from time to time, such non-compliance, violation and delay in compliance shall be dealt with by the Exchange in the manner, as may be provided in these Bye-laws and Regulations from time to time.