

“PART – A”

RECENT REQUIREMENTS FROM APRIL 1, 2012 TO MAY 30, 2013

Item 1- CONSTITUENT REGISTRATION		
Item No.	Subject	SEBI circular No. /Download No. /Circular No.
1.1	Uploading of the existing clients KYC details in the KYC Registration Agency (KRA) system by the intermediaries	SEBI circular MIRSD/ Cir-5 /2012 dated April 13, 2012; Download Ref. No.: NSE/INSP/20547; Circular Ref No.: 134/2012 dated April 13, 2012; SEBI notification no LAD-NRO/GN/2012-13/35/6998 dated March 22, 2013; SEBI circular CIR/MIRSD/4/2013 dated March 28, 2013 Download Ref. No.: NSE/INSP/23113, Circular Ref No.: 156/2013 dated April 2, 2013
1.2	Know Your Client (KYC) norms - Aadhaar Letter as Proof of Address	SEBI circular CIR/MIRSD/09/2012 dated August 13, 2012; Download Ref. No.: NSE/INSP/21465; Circular Ref. No.: 142/2012 dated August 13, 2012
1.3	Know Your Client Requirements	SEBI circular CIR/MIRSD/11/2012 dated September 05, 2012; Download Ref. No.: NSE/INSP/21622; Circular Ref. No.: 143/2012 dated September 5, 2012
1.4	Rationalisation process for obtaining PAN by Investors	SEBI circular CIR/MIRSD/01/2013 dated January 04, 2013; Download Ref. No.: NSE/INSP/22490; Circular Ref. No.: 152/2013 dated January 7, 2013
1.5	Guidelines on Identification of Beneficial Ownership	SEBI circular No. CIR/MIRSD/2/2013 dated January 24, 2013; Download Ref. No.: NSE/INSP/22614; Circular Ref. No.: 154/2013 dated January 24, 2013

Item 2 - DEALINGS WITH CONSTITUENTS		
Item No.	Subject	SEBI circular No. /Download No. /Circular No.
2.1	Clarifications on funding in connection with / incidental to /consequential upon the securities business	Download Ref. No.: NSE/INSP/20638; Circular Ref No.: 136/ 2012 dated April 26, 2012.
2.2	FAQs – Actual settlement of Funds and Securities	Download Ref. No.: NSE/INSP/21651; Circular Ref No.: 144/ 2012 dated September 07, 2012.

Item 3- DEALING WITH INTERMEDIARIES		
Item No.	Subject	SEBI circular No. /Download No. /Circular No.
3.1	Reminder for Notification under regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007	Download Ref. No.: NSE/INSP/22096; Circular Ref. No.: 148/2012 dated November 8, 2012
3.2	Notification under regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2000	SEBI notification no. LAD-NRO/GN/2012-13/30/5474 dated January 11, 2013; Download Ref. No.: NSE/INSP/22613; Circular Ref. No.: 153/2013 dated January 24, 2013
3.3	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/2012-13/33/1103 dated March 11, 2013; Download Ref. No.: NSE/INSP/22924; Circular Ref. No.: 155/2013 dated March 12, 2013

Item 4 – COMPLIANCE AND INTERNAL AUDIT BY TRADING MEMBERS		
Item No.	Subject	SEBI circular No. /Download No. /Circular No.
4.1	Observations made during Inspections/Reported in Internal Audit Reports	Download Ref. No.: NSE/INSP/21893; Circular Ref. No.: 145/2012 dated October 10, 2012.
4.2	Internal Audit of Trading members / Clearing members	Download Ref. No.: NSE/INSP/21998; Circular Ref. No.: 146/2012 dated October 25, 2012, Download Ref. No.: NSE/INSP/22294; Circular Ref. No.: 149/2012 dated December 12, 2012, Download Ref. No.: NSE/INSP/22359; Circular Ref. No.: 151/2012 dated December 21, 2012; Download Ref.No.: NSE/INSP/23196; Circular Ref.No.: 157/2013 dated April 11, 2013
4.3	Submission of Internal Audit Report through ENIT	Download Ref. No.: NSE/INSP/22076; Circular Ref. No.: 147/2012 dated November 6, 2012; Download Ref.No.: NSE/INSP/23345, Circular Ref.No.: 158/2013 dated May 7, 2013
4.4	Executions of Orders	Download Ref.No.: NSE/COMP/21990; Circular Ref.No.: 79/2012 dated October 23, 2012; Download Ref.No.: NSE/COMP/21991, Circular Ref.No.: 80/2012 dated October 23, 2012, Download Ref.No.: NSE/COMP/21992, Circular Ref.No.: 81/2012 dated October 23, 2012

Item 5 - APPLICABLE FINE STRUCTURE		
Item No.	Subject	SEBI circular No. /Download No. /Circular No.
5.1	List of violations and applicable penalties (CM, WDM, F&O and CD Segments)	Download Ref. No.: NSE/INSP/20854; Circular Ref. No.: 139/2012 dated May 28, 2012

RECENT REQUIREMENTS FROM APRIL 1, 2012 TO MAY 30, 2013

Item 1

CONSTITUENT REGISTRATION

(1.1) Uploading of the existing clients KYC details in the KYC Registration Agency (KRA) system by the intermediaries.

(SEBI circular MIRSD/ Cir-5 /2012 dated April 13, 2012; Download Ref. No.: NSE/INSP/20547; Circular Ref No.: 134/2012 dated April 13, 2012; SEBI notification no LAD-NRO/GN/2012-13/35/6998 dated March 22, 2013; SEBI circular CIR/MIRSD/4/2013 dated March 28, 2013 Download Ref. No.: NSE/INSP/23113, Circular Ref No.: 156/2013 dated April 2, 2013).

SEBI simplified the account opening process for investors and made it uniform across intermediaries in the securities markets. Further, to avoid duplication of KYC process with every intermediary, KRA system was developed for centralization of the KYC records in the securities markets. The system was made applicable for new clients who opened accounts with the intermediaries from January 1, 2012. Further, SEBI has issued guidelines for uploading the KYC data of the clients registered prior to January 1, 2012. Details of such guidelines are as follow;

- For existing clients who trade / invest / deal with the intermediary anytime during the time period starting from April 16, 2012, the intermediaries shall forthwith upload their KYC details in the KRA system. Further, SEBI vide notification dated March 22, 2013 have removed the requirement for sending original physical KYC documents of the clients to the KRA unless specifically desired by KRA. The intermediary shall perform the initial KYC/due diligence of the client, upload the KYC information 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.
The KRAs shall update their systems and send letters to the clients for the receipt of the initial / updated KYC documents from intermediary in accordance with the time schedule.
The intermediaries shall maintain electronic records of the KYCs of their clients and keeping physical records would not be necessary.
The KYC data of the existing clients, who trade / invest or deal after the schedule, shall be uploaded on a continuous basis.
- In case the KRA system indicates that the client's KYC data already exists, the other intermediary shall upload the modifications, if any, after the aforesaid date so that the latest information about the client is available on the KRA system.
- When the existing client approaches another intermediary, it shall be the responsibility of that intermediary which downloads the data of that client from the KRA system, to update the missing information, do IPV as per requirements (if not done already) and send the relevant supporting documents, if any, to the KRA. Thereafter, the KRA system shall indicate the records as updated.

(1.2) Know Your Client (KYC) norms - Aadhaar Letter as Proof of Address

(SEBI circular CIR/MIRSD/09/2012 dated August 13, 2012; Download Ref. No.: NSE/INSP/21465; Circular Ref. No.: 142/2012 dated August 13, 2012)

SEBI in consultation with Unique Identification Authority of India (UIDAI), Government of India, has decided that the Aadhaar Letter issued by UIDAI shall be admissible as Proof of Address in addition to its presently being recognized as Proof of Identity.

(1.3) Know Your Client Requirements

(SEBI circular CIR/MIRSD/11/2012 dated September 05, 2012; Download Ref. No.: NSE/INSP/21622; Circular Ref. No.: 143/2012 dated September 5, 2012)

This is with reference to SEBI circulars No CIR/MIRSD/16/2011 dated August 22, 2011 and MIRSD/SE/Cir-21/2011 dated October 5, 2011 on know your client norms for the securities market. Subsequent to the issuance of the aforesaid circulars SEBI has received representations regarding operational issues in the implementation of aforesaid SEBI Circulars in case of foreign investors. SEBI in consultation with the Stock Exchanges, Depositories and Intermediaries has issued certain clarifications in the Annexure A with respect to these investors.

Further, the intermediaries shall strictly follow the risk based due diligence approach as prescribed by SEBI Master Circular on AML No. CIR/ISD/AML/3/2010 dated December 31, 2010. Also, they shall conduct ongoing client due diligence based on the risk profile and financial position of the clients as prescribed in the Circular.

(1.4) Rationalisation process for obtaining PAN by Investors

(SEBI circular CIR/MIRSD/01/2013 dated January 04, 2013; Download Ref. No.: NSE/INSP/22490; Circular Ref. No.: 152/2013 dated January 7, 2013)

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.

(1.5) Guidelines on Identification of Beneficial Ownership

(SEBI circular No. CIR/MIRSD/2/2013 dated January 24, 2013; Download Ref. No.: NSE/INSP/22614; Circular Ref. No.: 154/2013 dated January 24, 2013)

This is with reference to SEBI circulars No. CIR/ISD/AML/3/2010 dated December 31, 2010, CIR/MIRSD/16/2011 dated August 22, 2011 and MIRSD/SE/Cir-21/2011 dated October 5, 2011 and Prevention of Money Laundering Rules, 2005. The Government of India in consultation with the regulators has now specified a uniform approach to be followed towards determination of beneficial ownership. Accordingly, the intermediaries shall comply with the following guidelines.

A. For clients other than individuals or trusts:

The intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

Explanation: Controlling ownership interest means ownership of/entitlement to:

- i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
- ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- iii. more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

B. For client which is a trust:

The intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

C. Exemption in case of listed companies:

Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

D. Applicability for foreign investors:

Intermediaries dealing with foreign investors' viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, may be guided by the clarifications issued vide SEBI circular CIR/MIRSD/11/2012 dated September 5, 2012, for the purpose of identification of beneficial ownership of the client.

Item 2

DEALINGS WITH CONSTITUENTS

(2.1) Clarifications on funding in connection with / incidental to /consequential upon the securities business

(Download Ref. No.: NSE/INSP/20638; Circular Ref No.: 136/ 2012 dated April 26, 2012.)

Applicability of Rule 8(1)(f) and 8(3)(f) of Securities Contract (Regulation) Rules, 1957, relating to fund based activities of brokers. The Exchange in consultation with SEBI has provided clarification on the above subject as per Annexure I to above referred circular.

1. Debit Balances in Clients' Account
2. Collaterals as Margins

(2.2) FAQs – Actual settlement of Funds and Securities

(Download Ref. No.: NSE/INSP/21651; Circular Ref No.: 144/ 2012 dated September 07, 2012.)

Based on the representations and queries received from members, Exchange has issued frequently asked questions (FAQs) for Actual settlement of Funds and Securities. The same is made available at:

http://www.nseindia.com/content/members/faq_ACT_SETT.pdf

Item 3

DEALING WITH INTERMEDIARIES

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

(Download Ref. No.: NSE/INSP/22096; Circular Ref. No.: 148/2012 dated November 8, 2012)

This is with reference to the Exchange Circular No: NSE/INSP/2010/109 (Download No: NSE/INSP/16536) dated December 15, 2010 attaching therewith SEBI notification no. LAD-NRO/GN/2010-11/21/29390 published in the Gazette of India on December 10, 2010 regarding the above subject matter and press release issued by National Institute of Securities Market (NISM) having reference no. NISM/Certification/Series-VII/SORM/2010/01 dated November 11, 2010 requiring the members to comply with the requirements of the notification.

As per SEBI notification, persons associated with a registered stock-broker/trading member/clearing member in recognised stock exchanges, who are involved in, or deal with, any of the following, namely:-

- (a) assets or funds of investors or clients,
- (b) redressal of investor grievances,
- (c) internal control or risk management, and
- (d) activities having a bearing on operational risk,

shall be required to have a valid certification from the National Institute of Securities Markets (NISM) by passing the NISM-Series-VII: Securities Operations and Risk Management Certification Examination as mentioned in the NISM communiqué/Press Release NISM/Certification/Series-VII: SORM/2010/01 dated November 11, 2010, read with Annexures-I and II thereto.

The stock-broker/trading member/clearing member shall ensure that all persons associated with it and carrying on any activity specified above as on the date of this notification obtain valid certification within two years from the said date of notification.

The stock-broker/trading member/clearing member who employs any associated persons for carrying on any activity specified above after the date of this notification shall ensure that the

said associated persons obtain valid certification within one year from the date of their employment.

(3.2) Notification under regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2000

(SEBI notification no. LAD-NRO/GN/2012-13/30/5474 dated January 11, 2013; Download Ref. No.: NSE/INSP/22613; Circular Ref. No.: 153/2013 dated January 24, 2013)

Further to Regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007, SEBI has published in the Gazette of India, notification no. LAD-NRO/GN/2012-13/30/5474 on January 11, 2013 regarding requisite certifications for **approved users and sales personnel in equity derivatives segment**.

As per said notification, the associated persons functioning as approved users and sales personnel of the trading members of an equity derivative exchange or equity derivative segment of a recognized stock exchange shall, with effect from the date of this notification, obtain certification for the purpose of sub-regulation (2) of regulation 16C of the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992 from the National Institute of Securities Market (hereafter referred to as “NISM”) by passing the NISM- Series- VIII: Equity Derivative Certification Examination (hereafter referred to as “EDCE”) as

mentioned in the NISM communiqué No. NISM/Certification/Series – VIII:ED/2012/01 dated September 20, 2012.

The trading members shall ensure that all such associated persons who are approved users or sales personnel as on the date of this notification obtain certification by passing EDCE within two years from the date of this notification.

Trading member, who engages or employs any such associated person who is an approved user or sales personnel, after the date of this notification, shall ensure that such person obtains certification by passing EDCE within one year from the date of his employment:

Associated person, who is an approved user or sales personnel, has obtained any of the following certifications as on the date of this notification-

- a) BSE’s Certificate on Derivatives Exchange of Bombay Stock Exchange Limited;
- b) NCFM- Derivative Market (Dealers) Module of National Stock Exchange of India Limited,

shall be exempted from the requirement of obtaining certification by passing EDCE till the validity of the said certification.

(3.3) 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/2012-13/33/1103 dated March 11, 2013; Download Ref. No.: NSE/INSP/22924; Circular Ref. No.: 155/2013 dated March 12, 2013)

Further to Regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007, SEBI has published in the Gazette of India, notification no. LAD-NRO/GN/202-13/33/1103 on March 11, 2013 stating associated persons functioning as **compliance officers** of intermediaries registered with the SEBI shall obtain certification from the National Institute of Securities Markets (hereinafter referred to as “NISM”).

As per said notification, the associated persons functioning as compliance officers of intermediaries registered with the Board as stock brokers, or depository participants, or merchant bankers, or underwriters, or bankers to the Issue, or debenture trustees or credit rating agencies, shall, with effect from the date of this notification, obtain certification from the NISM by passing the NISM-Series-III A: Securities Intermediaries Compliance (Non-Fund) Certification Examination (hereinafter referred to as “SICCE”) as mentioned in the NISM communiqué No. NISM/Certification/Series-III A: SIC/2013/01 dated January 7, 2013.

All such intermediaries shall ensure that associated persons functioning as compliance officers as on the date of this notification obtain certification by passing SICCE within two years from the date of this notification.

Provided that an intermediary, who engages or employs any such associated persons functioning as compliance officer after the date of this notification, shall ensure that such person obtains certification by passing SICCE within one year from the date of his employment.

Item 4

COMPLIANCE AND INTERNAL AUDIT BY TRADING MEMBERS

(4.1) Observations made during Inspections/Reported in Internal Audit Reports

(Download Ref. No.: NSE/INSP/21893; Circular Ref. No.: 145/2012 dated October 10, 2012.)

In order to increase awareness amongst the members and improve their compliance level, Exchange conducts inspections of the books and records of members. Based on the observations made during inspections and scrutiny of internal audit reports submitted by the member, Exchange listed out commonly observed areas which require attention of members for strengthening their compliance.

(4.2) Internal Audit of Trading members / Clearing members

(Download Ref. No.: NSE/INSP/21998; Circular Ref. No.: 146/2012 dated October 25, 2012, Download Ref. No.: NSE/INSP/22294; Circular Ref. No.: 149/2012 dated December 12, 2012, Download Ref. No.: NSE/INSP/22359; Circular Ref. No.: 151/2012 dated December 21, 2012, Download Ref.No.: NSE/INSP/23196; Circular Ref.No.: 157/2013 dated April 11, 2013)

Further to Circular Ref. No. 137/2012 (download reference no. NSE/INSP/20650) dated April 30, 2012 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 April 01, 2012 to September 30, 2012 and the Internal Audit Reports are required to be submitted on or before December 31, 2012 and following point need to be observed while submitting the report:

1. Half yearly Internal Audit Report submission is required ONLY in electronic format through ENIT. No documents are to be submitted in physical form.
2. Members are required to affix the Digital Signature of the Proprietor/ Designated Partner/ Designated Director or Compliance Officer while submitting the Half Yearly Internal Audit Report through ENIT.

Format for Internal Audit;

1. Internal Audit certificate as Annexure I,
2. Internal Audit Report and revised guidelines as Annexure II,
3. List of Indicative Processes & reference of Exchange/SEBI circulars as Annexure III, and
4. Actions for non-compliance as Annexure IV.

Further, the next Internal Audit is required to be carried out for the period from October 01, 2012 to March 31, 2013 and the Internal Audit Reports are required to be submitted on or before June 30, 2013 having regards to the points need to be observed while submitting the report.

(4.3) Submission of Internal Audit Report through ENIT

(Download Ref. No.: NSE/INSP/22076; Circular Ref. No.: 147/2012 dated November 6, 2012, Download Ref.No.: NSE/INSP/23345, Circular Ref.No.: 158/2013 dated May 7, 2013)

Exchange vide Circular number: 146/2012 (download reference no. NSE/INSP/21998) dated October 25, 2012 and Circular number.: 157/2013 (download reference no. NSE/INSP/23196) dated April 11, 2013 respectively, provided the applicability, scope/guidelines of audit, format of audit report and the time limit for submission of audit report are mentioned. Further to that Members are requested to upload the details of Internal Audit Report electronically through ENIT (Electronic NSE interface for Trading Members) by December 31, 2012 and by June 30, 2013 respectively.

(4.4) Execution of Orders

(Download Ref.No.: NSE/COMP/21990; Circular Ref.No.: 79/2012 dated October 23, 2012; Download Ref.No.: NSE/COMP/21991, Circular Ref.No.: 80/2012 dated October 23, 2012, Download Ref.No.: NSE/COMP/21992, Circular Ref.No.: 81/2012 dated October 23, 2012)

Limit setting on terminals at the time of order placement in CM, F&O and CD segments and requirement of certificate to be submitted by Compliance Officer.

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/20854; Circular Ref. No.: 139/2012 dated May 28, 2012)

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.