Contract Notes in Share Market transactions and their Audit

Every member of the stock exchange has to issue contract notes to its clients for all business executed on their behalf within 24 hours of the execution in the form specified by the stock exchange. The contract note inter-alia should have following:

- Name, address and SEBI Registration number of the Member broker.
- Name of partner /proprietor / Authorised Signatory.
- Dealing Office Address/Tel No/Fax no, Code number of the member given by the Exchange.
- Unique Identification Number
- Contract number, date of issue of contract note, settlement number and time period for settlement.
- Constituent (Client) name/Code Number.
- Order number and order time corresponding to the trades.
- Trade number and Trade time.
- Quantity and Kind of Security brought/sold by the client.
- Brokerage and Purchase /Sale rate are given separately.
- Service tax rates and any other charges levied by the broker.
- Securities Transaction Tax (STT) as applicable.
- Appropriate stamps have to be affixed on the original contract note or it is mentioned that the consolidated stamp duty is paid.
- Signature of the Stock broker/Authorized Signatory.
- Contract note provides for the recourse to the system of arbitrators for settlement of disputes arising out of transactions.

In reference to contact notes, the auditor should ensure that

i. Contract notes are serially numbered
ii. These are in the format prescribed by relevant exchange.
iii. Brokerage has been charged within specified limits and shown separately
iv. Ordering time should be reflected on contract notes along with the time of execution of order.
v. Member/authorized signatory should sign contract notes.
vi. Brokerage, Service tax & security transactions tax shown separately.

Regards,

CA Jatin Bansal

Chandigarh

9814622848