

## Authorised Person (AP) Compliance Requirements

This document consolidates **NSE, BSE & MCX regulatory requirements** with the **operational AP Inspection Checklist**, to serve as a complete compliance reference for Authorised Persons and Trading Members.

### 1. Registration & Validity

- AP must have valid registration with NSE/BSE/MCX.
- AP can be affiliated with only one Trading Member at any given time.
- Maintain updated details: address, contact info, partners/directors, terminals, and client list.
- Report any change in partners/directors to Trading Member for Exchange intimation.
- AP engaged in mutual fund distribution must be AMFI certified (ARN) and display the certificate.

### 2. Client Handling Rules

- All clients must be registered in the name of the Trading Member.
- No direct transfer of funds or securities between AP and clients.
- No cash dealings with clients.
- Maintain order evidence: voice recordings, written instructions, email/chat confirmations.
- No assured/guaranteed returns, dabba trading, or illegal schemes.
- Do not deal with unregistered intermediaries.
- Do not open accounts for unregistered clients or trade on their behalf without proper authorization.
- No incentives to clients for opening accounts.

### 3. Infrastructure & Display Requirements

- Display SEBI registration certificate of Trading Member and AP registration letter from the Exchange.
- Display grievance redressal mechanism, compliance officer details, and Do's & Don'ts board.
- Display Investor Charter as per SEBI guidelines.
- Maintain adequate office space, equipment, and trained manpower.
- Maintain proper segregation/demarcation for any non-broking activities.
- Securely store client and business records with sufficient backup.

### 4. Advertising & Public Communication

- No advertisements (print, electronic, social media) without prior approval from the Trading Member and Exchange.

- No misleading names implying portfolio management/advisory without valid SEBI registration.
  - No publishing of performance returns in advertisements or on social media.
  - Maintain record of all issued promotional material.
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## **5. Terminal Management**

- Operate only approved terminals with certified users.
  - Terminals must match Exchange-reported details (ID, location, user).
  - No sharing of login credentials.
  - Deactivate terminals of exited employees immediately.
  - Deactivate terminals inactive for more than 6 months and update Exchange records.
  - No use of other broker's terminals; if found, ensure segregation and documentation.
  - No client terminals to be used by anyone other than the client.
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## **6. Inspection & Supervision**

- Trading Member must inspect at least 50% of APs annually; all APs must be inspected at least once every 2 years.
  - Top 50% APs by turnover must be inspected annually.
  - Inspections to include surprise visits, mystery shopping, and social media scans for mis-selling.
  - Inspection reports must be submitted quarterly via ENIT.
  - Submit "Nil" declaration if no inspections occur in a quarter.
  - Maintain inspection records for at least 5 years.
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## **7. Restricted & Prohibited Activities**

- No Ponzi schemes, chit funds, collective investment schemes, or unauthorized portfolio management.
  - No illegal/dabba/paper trading.
  - No discretionary trading without client authorization.
  - No circulation of unauthenticated news, tips, or recommendations.
  - No acceptance of client passwords or execution of trades without authorization.
  - No movement of funds/securities between clients or to/from AP's personal accounts.
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## **8. Anti-Money Laundering (AML) & PMLA Compliance**

- AP must be aware of AML obligations under PMLA 2002.
  - Monitor and report suspicious transactions to the Trading Member immediately.
  - Verify KYC documents with originals before client onboarding.
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- Promptly rectify any KYC deficiencies.
  - All clients must be registered directly with the Trading Member.

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## **9. Internal Controls**

- Maintain telephone loggers and record all client order calls.
- Execute trades only as per client instructions.
- Do not create client email IDs without their consent.
- Do not issue contract notes, margin statements, or fund statements in AP's own name.
- Monitor client trading patterns for unusual activity; take timely action.
- No third-party cheques; only client's own bank accounts may be used.
- Maintain grievance register; resolve complaints within stipulated timelines.

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## **10. Change of AP Location**

- Notify all clients at least 30 days before shifting location.
- Display SEBI and Exchange certificates immediately at the new location.
- Report new address and deactivate old location in Exchange records.
- Upload new terminal details to the Exchange.

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## **11. Annual Maintenance Charges (AMC) & Audit Costs**

- AMC Charges: NSE: ₹5,000 + GST per AP per year.
  - BSE: ₹4,000 + GST per AP per year.
  - MCX: ₹1,180 + GST per AP per year.
  - AMC is based on the list of registered APs as on March 31 each year.
  - Cost of Audit: Mumbai APs: ₹3,500 + GST per inspection.
  - Out-of-Mumbai APs: ₹4,500 + GST per inspection.
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