

NSE COMPLIANCE SESSION FOR AUTHORISED PERSONS



NSE Western Regional Office (WRO) - Inspection Team



WHY COMPLY?

Benefits

- Increases efficiency in operations.
- Reduces the risk of disciplinary action.
- Prevents internal frauds & losses.
- Ensures continuity of business.
- Boosts Client confidence.
- Above all, guarantees peace of mind.



Display of details pertaining to Authorised Persons

➤ Main display board:

- Name of AP
- Name of Trading member with whom you are affiliated
- Address

➤ Notice board:

- Name of AP
- Name of Trading member with whom you are affiliated
- Address and contact no. of AP
- Registered address of Trading member
- SEBI registration certificate of the Trading Member
- AP registration Letter

- As required by SEBI circular CIR/MIRSD/3/2014 dated August 28, 2014, information about the grievance redressal mechanism available to investors should be prominently displayed at the location.

Introduction of new clients

- While introducing new clients, AP needs to ensure that the latest KYC form is provided to the client to fill in.
- Make sure that the client fills in all the details and provides necessary documents, including financial documents for trading in derivative segment.
- All the KYC forms along with documents provided by the clients should be sent to the trading member for onboarding of clients.
- Provide factual information to the clients when introducing them to the stock market.
- AP should not deal with any unregistered entities.

Funds & Securities

- All dealings of funds should be between the client and the trading member. AP can facilitate by providing correct details of the trading member's bank accounts or ensuring cheques received are correctly given to the trading member. There should be no payin / payout of funds / securities to clients by the AP.
- There should be no movement of Funds and securities between the client and AP official for settlement of trades on the Exchange.
- There should be no cash dealings between the client and the AP/TM.
- The Authorised Person should not be involved in any fund based activities / collecting deposits from investors / dabba trading / chit funds or any other such schemes.
- The AP should not be involved in accepting deposits from the public and giving assured returns.
- The AP should advise the clients to pledge the securities for the purpose of margin to the trading member vide margin pledge/ repledge mechanism.

Terminal Operations and Systems

- CTCL terminals need to be located only in the office of the TM or in the office of their registered AP.
- Trading terminal to be operated by approved persons only.
- Trading Terminal shall be operated/accessed only through User Ids allotted to Approved Persons namely employees of trading member, partner/proprietor/director(s), registered authorized persons (AP) or employee of an AP. No other person shall operate or place orders from such trading terminals.
- Provide correct terminal details to your trading member so that member will upload the terminal details to the Exchange before activation.

Terminal Operations and Systems

- If a user ID is enabled for internet trading (IBT), orders must be placed by clients only and not by anybody else or for anybody else. In case of any exigencies, where a client is not able to trade through the internet, then the orders on behalf of such clients must be placed by any Approved Persons of the member as stated above, but not using the internet/Login ID and password of the client. Further, trades shall be executed only after keeping evidence of the client placing such order.
- Any change in the uploaded details to be immediately updated to trading member and trading member will upload to the Exchange.
- If the terminals are not found at reported location, then trade will not be allowed from that terminal as per Exchange circular no. NSE/INSP/59809 dated December 18, 2023.

Terminal Operations and Systems

- All trading terminals extended to AP/Branch location which are inactive for more than 6 months will be de-activated by the member & the same will be updated in Exchange records. As per Exchange circular no. NSE/COMP/58438 dated September 18, 2023, Trading Members are advised to regularly review the status of all their registered APs, irrespective of whether they have been assigned Trading Terminals and take appropriate action by cancelling the registration of those APs that have displayed prolonged inactivity, spanning a period of six months or more.
- The AP should have the necessary infrastructure like adequate office space, equipment and manpower to effectively discharge the activities on behalf of the member. The employees of AP should be trained suitably.
- The AP should not deal with any other trading member/AP on behalf of its clients / self on the same Stock Exchange.

Terminal Operations and Systems

- Proper segregation and demarcation should be maintained at AP office in case terminal of a different Member is operated or any permissible activity other than the broking business is carried out.

Certification

Derivative Segment

- Trading terminals in the F&O/Currency segment/ Commodities segment to be operated by users having valid NCFM / NISM certification only.

Capital Market Segment

- Valid NCFM / NISM Series VII certification for Corporate Manager & Branch Manager User ID.

Requisite For Authorized Persons

- Adequate systems, including voice recording, order placement register are to be put in place for recording of order placement from clients at AP's office.
- Visitor's register should be maintained.
- The AP records/data should be properly maintained with confidentiality in a secure manner including sufficient backup.
- List of clients mapped to the AP should be maintained and reconciled with the TM. It has to be uploaded to the Exchange.
- Documents like contract note, statement of funds, daily margin statement should not be generated and issued by the AP.
- Advertisements soliciting business should not be issued by the Authorised Person/Branch in newspapers / pamphlets / journals / magazines/social media, etc. without prior approval of Exchange. All advertisement should comply with the code of advertisement.
- Complaints received at the AP/Branch location are handled and records are maintained as per the regulatory requirement and process as per the policy of the TM is followed.

Change in location of Authorised Persons

- In case of change/shifting of location of AP, the following is to be ensured:-
 - a. All clients mapped to the AP have been notified at least thirty days before the change.
 - b. Notice Board and applicable SEBI registration certificates should immediately be put up at the new location.
 - c. The new location shall be duly reported to the trading member so that it can be reported to Exchange and the old location should be deactivated.
 - d. New location and user operating terminal shall also be updated to the trading member so that it can be uploaded to the Exchange.
- If the terminals are not found at reported location, then trade will not be allowed from that terminal as per Exchange circular no. NSE/INSP/59809 dated December 18, 2023.

Criteria for Authorised person

In addition to above requirements, the AP has to follow below mentioned criteria:

- Director/Partner of a registered AP/Trading Member is not appointed in the capacity of AP with any other Trading Member, or the same Trading Member registered with the Exchange.
- Director/Partner of an AP is not associated as Designated Director/Designated Partner/Compliance Officer with any Trading Member registered with the Exchange.
- Director/Partner of AP is not associated as Director/Partner with other AP registered with the Exchange.
- Further an Authorized person shall be affiliated with only one Trading Member of the Exchange at any point in time.
- The Trading Member should restrict entities with names which may mislead clients/investors, including names with "Portfolio/wealth management/advisory" without a valid SEBI registration as specified in the Exchange circular no. NSE/COMP/55716 dated February 22, 2023. The extension provided for changing name is till March 31, 2024.

Recent Circulars w.r.t Supervision of Authorised Persons

- Restriction on use of certain words by Trading Members/Authorized Person in their name – Trading members to change their name or the name of their registered Authorized Persons if it contained restricted words indicating a role for which the entity is not registered.(Circular No 55716,62672 & 63677 dated February 22, 2023 ,June 28, 2024 and September 05,2024)
- Framework for Supervision of Authorised Persons (APs) & Branches by Members – Trading member to monitor and review the activities of the APs and conduct due diligence to ascertain the suitability of the AP for their role. Indicative scope, criteria and guidelines of AP inspection are provided in Annexure A. (Circular no - 63628 dated August 28, 2024.)

Disclaimer

Provisions mentioned in the presentation are indicative and not exhaustive. Regulatory requirements applicable as on date as per relevant acts, rules, regulations, byelaws and circulars of the SEBI and Exchange would apply.

THANK YOU

