

## **I) Client Registration**

- How may active clients you have?
- Are you maintaining client registration documents dully filled in the prescribed format from all the clients?
- Do you entertain walk in clients? If yes, what are risk mitigation measures taken in dealings with such client
- How do you assess financial capability of the client? What are the documents you insist?
- Do you outsource client registration modalities?
- Process of record keeping and retrieval of client registration documents
- Process of updating of client financials and other particulars
- Do you have make checker concept to avoid misuse by filling up data on the unfilled areas viz. segment, space provided for giving e-mail id, etc.?
- Process of updating of client particulars viz. address, e-mail id, contact details, etc.
- Process of In-person Verification?
- Process of sending of duly executed client registration documents to clients.
- Detailed process of client registration?
- Systems and processes adopted for UCC Upload?
- Do you have a separate marketing division? Have you specified any norms to such division?
- Have you launched any promotional schemes?
- Whether you make the client aware of the risk associated?
- Do you offer freebies like free demat a/c, etc.?

## **II) CLOSURE OF CLIENT ACCOUNTS/DORMANT ACCOUNT**

- What type of documentation (both inward and outward) you undertake for closure of account?
- Incase of dormant account (six month), what extra caution you take before execution of trade in such account?
- Transfer of client from one branch to another – Procedure adopted
- Incase of very old dormant a/c (2 years old), what is the procedure adopted in such cases?

## **III) ORDER RECEIPT AND EXECUTION**

- Do you have telephone recording system for receipt of orders? If yes, specify period for which such records are maintained?

- Do you have a system of trade confirmation?
- Do you exercise discretionary powers to execute client orders?
- What controls you have adopted for receipt of order from respective client only?

#### **IV) SENDING CONTRACT NOTES, DAILY MARGIN STATEMENT, QUARTERLY STATEMENT OF ACCOUNTS TO CLIENTS**

- Practice followed for sending contract notes for trades executed at branches
- Have you outsourced sending the above-said documents? If yes, what are the controls to ensure the timeliness of the same as per required regulations controls to prevent unauthorized modification of data?
- Mode of sending the documents
- Timing of sending the documents
- Documentation of having dispatched/ delivered the documents
- Duplicate copies whether maintained or not.
- In case documents are sent through e-mail, whether log maintained for sending?
- If you are sending these documents via email, whether you are sending at the email id given by the client or you have created yourself email id for the clients and sending the same to clients
- What is the process adopted in case client wants to change his email address which was earlier provided to you?

#### **V) RISK MANAGEMENT**

- Policy of collection of pay in, margin, limits setting for exposures & turnover for clients, terminals, branches & sub-broker level
- Monitoring of debit balances
- Periodicity of such monitoring
- Whether TM has a system of periodic reconciliation wherein client has expressly accepted the balance confirmation?
- Steps taken for recovery of old debts
- Do you charge penal interest for long outstanding debts?
- Mechanism of pay-in and pay-out of funds and securities
- Payment, Receipt of funds from / to clients
- Policy of square off of positions
- Risk Management Policy
- Internal control Policy

## **VI) LIQUIDATION OF CLIENT POSITION**

- Whether clients were informed that its position would be squared off in case of margin/ pay-in default? What is the mode of communication? Whether such communication is detailing the exact situations wherein such measures of squaring off shall be undertaken by the member
- In case of square –offs, what is the procedure adopted to give reasonable opportunity to the client to bring required margin. Mode of such intimation
- Whether authorization of clients taken to square off client position in case of margin/ pay-in default?
- Do you maintain records for margin calls made?

## **VII) POLICY OF INTERNAL SHORTAGE**

- Detailed policy of Internal Shortages? In case it is different from exchange policy , take reasoning

## **VIII) TRANSFER OF TRADES**

- Monitoring mechanism in place to review such transfer of trade
- Steps taken to find out reason for such transfer
- Steps taken to avoid such Instances of errors

## **IX) INVESTOR REDRESSAL MECHANISM**

- Whether register of complaints is centrally maintained or maintained branch-wise?
- Whether clients were informed about the e-mail for redressal of investor grievances? Mode of informing the clients
- Whether investor complaints as figuring out as per the Exchange records are recorded in the Register of complaints?
- Whether all the complaints either received by way of letter, telephonic call, personal representation, e-mail, etc are recorded in the Register of Complaints?
- Who monitors the pending investor complaints and redressal?
- Whether any escalation mechanism is prevalent for redressal of long pending investor complaints?
- Whether analysis of type of complaints, originating branch location of complaints is made to find out lapses/ frauds etc.
- Whether any system is in place to get client feedback on matters like receipt of contract notes, trade confirmation, SOA, Margin statement, etc.?
- What are the monitoring and control mechanism in place to ensure that cash, cheque and demand drafts received from clients at branches are properly accounted in the respective client ledger?

- In case the TM is maintaining more than one back office software for maintaining client level information, check for the reasons or benefits. Compare the client master of all back office software to ensure that no different records with an intention to defraud investors are maintained
- Is there any mechanism in place to verify the authenticity of transactions carried out in dormant accounts (not being operated in last six months)?
- Whether TM's employees at HO and branches are exercising POA to operate client's bank and demat accounts? If yes, what are the Internal control adopted by trading member to ensure that POA is not misutilized
- Whether there is concentration of complaints at any specific branch? Steps taken for resolution of complaints. Address of the specific branch may be obtained. In case found necessary; branch may be inspected as LPI.

**X) ALLOTMENT /SURRENDER OF TRADING TERMINALS , OPENING & CLOSING OF BRANCHES**

- Limit setting, in case of allotment of new terminals
- Mapping of clients to other terminals in case of surrender of terminals
- Submission of information to the Exchange
- What are the controls adopted by the member to ensure that software used at the member branch offices and sub-broker offices are from the approved vendors
- What are the control mechanisms in place to ensure that the terminals at branches / sub-broker offices are not used for unauthorized / illegal purposes? Whether TM was acting on alerts like a) insignificant number of clients registered at a particular location but having a large no. of transactions, b) very low volume despite being operating for long time making branch operations unprofitable, etc.
- What is the procedure adopted for opening & closing of branches?
- In case of closure of branches, how and when do you communicate existing clients?
- Do have a checklist/ manual, which list down the steps followed for opening and closing?
- Steps taken for surrender of sub-broker registration certificate to prevent misuse

**XI) BRANCH /SUB-BROKER, AUDITS**

- Check whether member has system of conducting branch inspection. If yes, what are the areas covered in such inspections. In case area covered does not include following, then advise the TM

Areas to be verified during such inspection and to be covered in the inspection report

- Mechanism of pay-in and pay-out of funds and securities
  - Issue of Statement of Accounts, incase not sent directly from the main office
  - Cash dealings with clients
  - Issue of Contract notes, incase not sent directly from the main office
  - Upload of CTCL terminals
  - Shifting of NEAT terminals
  - Check whether any illegal or unauthorised activity is being carried out at the said location
  - Operation of trading terminals
  - Whether advertisement code of the Exchange is violated
  - Display of Notice Board and SEBI registration certificate
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- Whether there is an Internal Audit system that commensurate with the nature, scope, size of business operations?
  - Whether the irregularities and recommendations/ suggestions pointed out in Internal Audit reports are placed before Audit Committee / Board?
  - What is the frequency of follow ups done for implementation of recommendations/ suggestion set out in the Internal Audit reports?

**XII) PMLA**

- Whether all the important provisions are included and implemented?
- Process to regularly review the policies and procedures on money laundering to ensure its effectiveness .In order to ensure this, whether the person doing the review is different from one who has framed such policy?
- Process of obtaining sufficient information in order to identify persons who beneficially own or control securities account?
- How u ascertain that no account is opened in a fictitious /benami name?
- Details of documentation requirement and other information to be collected in respect of different classes of clients depending upon perceived risk?
- How do you ensure that no account is opened where the intermediary is unable to apply appropriate clients due diligence measures/KYC Policies?
- What are the necessary checks & balances to ensure that no client is enrolled who is having criminal background or is banned in any other manner.
- Details of due diligence to be done for client of special category?

- Details of systems in place to generate alerts based on set parameters for suspicious transactions
- Process of scrutinizing the alerts to arrive at suspicious transactions
- Process of reporting of suspicious transaction to FIU
- Details of training provided to the staff members in AML & CFT
- How you sensitize your customers about requirements of provisions emanating from AML and CFT framework.