

Compliance Seminar

December 04, 2015

Most Common Observations during Inspections

- **Actual Settlement of Funds and Securities not done**
- **Non issuance of statements at the time of settlement of funds and securities**
- **Funding to Clients**
- **Single Email ID/Mobile No's mapped to multiple unrelated clients**
- **CTCL Mismatches**
- **Expiry of Certifications**
- **Incorrect Reporting Of Margin**
- **Incorrect data submission for RBS**
- **Unexplained use of funds raised by pledging client securities**

SEBI Orders

Name of the firm & penalty levied	Violation observed	SEBI Adjudicating order
Intime Equities Ltd. Monetary fine Rs. 35 Lacs	Not settling clients accounts	September 25, 2014
Indira Securities Pvt. Ltd. Monetary fine Rs. 16 Lacs	Not settling clients accounts & repeated wrong submission of facts to SEBI	December 31, 2013
Sunflower Broking P Ltd. Monetary fine Rs. 10 Lacs	Delay in implementation of process settlement of clients accounts	May 24, 2014
Unickon Securities Pvt. Ltd. Debarred TM & Directors & cease and desist	Misuse of client funds by diverting to other business & non-redressal of investor grievances	May 26, 2014
Kassa Finvest Pvt. Ltd: Debarred TM & Directors & cease and desist	Failed to segregate its own and clients' funds and securities ; Provided assured returns to its clients & Failed to meet obligations as per IGRP orders	March 19, 2015

Good Practices

- Double check margin reported against uncleared cheques and report correct margins to exchange within time
- Check CTCL feedback provided by Exchange
- Settle client accounts as per request – monthly or quarterly; reject request for non-settlement.
- Avoid co-mingling of own and clients' funds and securities and maintain proper audit trail of the same
- Encourage orders being placed on SMS/Email; maintain voice recordings
- Ensure email ids/mobile numbers are correct
- Confirm with clients in case of unusual size of orders/M2M losses
- Send speed post/courier to AP/sub broker to check addresses
- Handle redressal of complaints with aggressive timelines
- Respond to data requirements promptly
- Having maker-checker mechanism before submitting data towards RBS to ensure its correctness.

Avoidable Practices

- Funding to clients having debit balances by allowing further exposure
- Pledging securities of clients having credit balances and use of funds raised for meeting obligations of own / other clients
- Assuring fixed returns to clients
- Accepting securities from clients as collaterals and allowing clients to take position in the same Security
- Un-reconciled receipts due to direct deposits from clients
- Cheques of clients entered in ledger but not banked in time
- Non updating changes in the CTCL ID details to the Exchange leading to mismatches
- Mapping single email id to multiple unrelated clients

Initiatives for Compliance Strengthening

- One-on-one compliance sessions for new members after registration
- Conducting compliance visits for new members within 6 months of trading
- Handholding provided to members prior to inspection
- Compliance Trainings based on needs of members
- Vetting of client registration documents
- Facility to verify whether client is registered with any other broker of the exchange on the basis of PAN
- Dedicated help desk facility for responding to member queries
- Intimating the members regarding discrepancies in UCC details
- Sub-broker and AP training programs
- Training to Internal Auditors
- Issue of letters to Members for review of CTCL terminals with no trading activities.

Updates on Regulatory Requirements

➤ New Compliances for Members

- Risk Based Supervision**
- Supervision of Trading Terminals**
- SARAL Account Opening Form for Individual clients in CM segment**
- Unaudited Half yearly Net-worth certificate as on 31-Mar every year**

➤ Ease of compliances for Members

- Single Registration for Stock Brokers & Clearing Members**
- Introduction of NISM Series XIII common derivatives certification**
- Acceptance of fully paid securities for further exposure**
- Levy of brokerage on expiry of option contracts**
- Inclusion of NISM Series VII as valid certification for Capital market segment**