

Annexure III A

In cases where material non-compliances are observed are observed in the inspections(s), for which action letters are issued during the half year period i.e., October 2025 to March 2026, then internal auditor shall select the samples prescribed in Annexure III A for these respective non-compliances. Incremental samples may be sourced from the Member. Details of violations for the previous half year period i.e., October 2025 to March 2026, shall be made available in the auditor login

Sr No	Material Non-compliances	Corresponding internal audit point	Prescribed sampling	Sampling in case of repeat violation
1	Member has not maintained evidence in respect of orders placed by clients	Member has executed trades of clients only after keeping evidence of the client placing such order and maintained the record of the same in the manner specified by SEBI from time to time Member has mandatorily used telephone recording system to record the order instructions received from clients through telephone.	6 Dates (1 date in each month having highest turnover) each for placing, modifying and cancelling the order Less than 500 active clients during the audit period- Minimum of 25 clients having top turnover on the sample dates Between 500 to 1000 active clients - Minimum of 50 clients having top turnover on the sample dates More than 1000 active clients - Minimum of 75 clients having top turnover on the sample dates	Number of clients to be verified to be increased by 50% as under. Less than 500 active clients during the audit period- Minimum of 40 clients having top turnover on the sample dates Between 500 to 1000 active clients - Minimum of 75 clients having top turnover on the sample dates More than 1000 active clients - Minimum of 110 clients having top turnover on the sample dates
2	Funding of client transactions	Member has not funded its clients in contravention to the Exchange / SEBI requirements i.e. member has not granted further exposure to the clients when debit balances arise	1. 75% - Top aggregate debit balance clients (across all segments) as on any random date	Number of clients to be verified to be increased by 50% as under

		out of client's failure to pay the required amount and such debit balance has not continued beyond the fifth trading day, as reckoned from date of pay-in (Except in accordance with Margin Trading Guidelines)	2. 25%- Top clients with highest net buy position in CM segment during the audit period i.e. clients with more bought positions Less than 500 active clients during the audit period - Minimum of 25 clients traded during the audit period. Between 500 to 1000 active clients - Minimum of 50 clients traded during the audit period. More than 1000 active clients - Minimum of 75 clients traded during the audit period.	Less than 500 active clients during the audit period - Minimum of 40 clients traded during the audit period. Between 500 to 1000 active clients -Minimum of 75 clients traded during the audit period. More than 1000 active clients - Minimum of 110 clients traded during the audit period
3	Shortfall /Non-availability of client funds	Member has ensured that the funds available in the client/USCNBA/DSCNBA/settlement bank accounts and balances available with clearing Member and funds with Exchange/ clearing corporation are not less than the funds payable to the client at all times.	6 dates - Verify the details submitted as on the first Friday of every month	Total 9 dates as under 6 dates - first Friday of every month.3 dates based on highest creditor balances. In case dates are common with the 6 dates as above then select the next highest date
		Funds of clients having credit balance has used for margin obligation of respective client only and not for obligation of any other clients / Proprietary trading	6 dates based on the highest margin obligation across all segments.	9 dates based on the highest margin obligation across all segments.
		Client's funds and securities & commodities are used only for the purpose of the respective client's transactions. If not, instances to be provided in remarks column.	For verification of Funds pay-in verification 1. Top 6 dates (one date in each month of the Audit period) with highest clientele funds pay- in	For verification of Funds pay-in verification 1. Top 9 dates (one date in each month of the Audit period) with highest clientele

			obligation. For verification of securities/commodities pay-in 1. Identify top 10 clients with highest securities deliverable obligation during the Audit period 2. For each of the 10 clients, identify 5 dates with highest securities/commodities deliverable obligation (Value-wise). 3. Identify top 10 clients having highest net purchase turnover in cash segment and whether the securities are transferred from Pool/client unpaid securities account to the Demat account of respective clients 4. Identify top 10 related party clients (Identify the relationship of such clients with the Trading member in terms of group/associate/subsidiary companies/directors & shareholders/Key Management Personal) having highest net purchase turnover in cash segment and whether the securities are transferred from Pool/client unpaid securities account to the Demat account of these clients and funds are paid by these clients towards their purchases. 5. Check for each identified dates	funds pay- in obligation. For verification of securities/commodities pay-in 1. Identify top 10 clients with highest securities deliverable obligation during the Audit period 2. For each of the 10 clients, identify 5 dates with highest securities/commodities deliverable obligation (Value-wise). 3. Identify top 10 clients having highest net purchase turnover in cash segment and whether the securities are transferred from Pool/client unpaid securities account to the Demat account of respective clients 4. Identify top 10 related party clients (Identify the relationship of such clients with the Trading member in terms of group/associate/subsidiary companies/directors & shareholders/Key Management Personal) having highest net purchase turnover in cash segment and whether the securities are
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			whether respective client funds/securities were used for meeting their obligations on the Exchange	transferred from Pool/client unpaid securities account to the Demat account of these clients and funds are paid by these clients towards their purchases. 5. Check for each identified dates whether respective client funds/securities were used for meeting their obligations on the Exchange
4	Non-settlement of client funds	Trading member has done actual settlement of clients' funds for the month/quarter as per the annual calendar for settlement (quarterly/monthly) prescribed by the Exchange.	1) Verify the actual settlement has been done for all the clients on all the settlement dates during the audit period i.e. first Friday/Saturday of the quarter/month in the audit period.	1) Verify the actual settlement has been done for all the clients on all the settlement dates during the audit period i.e. first Friday/Saturday of the quarter/month in the audit period.
		Member has transferred the funds to the respective clients while carrying on the actual settlement of client fund.	2) Verify the payout of funds with the bank statement of top 75 clients with highest payout	2. Verify the payout of funds with the bank statement of top 110 clients with highest payout
		Trading member has returned funds to clients, who have credit balance and not done any transaction in the 30 calendar days since the last transaction, on the upcoming settlement dates of monthly running account settlement cycle.	All the clients who have not done any transaction in the last 30 calendar days during the audit period.	All the clients who have not done any transaction in the last 30 calendar days during the audit period.
5	Member has done Inter client adjustments	Trading member has not done any inter-client adjustment or passed any journal entries for the	Verify top 75 clients with highest retention during the actual settlement.	Verify top 110 clients with highest retention during the actual settlement

		purpose of client level quarterly/ monthly settlement.		
6	Member has not maintained audit trail for funds received and systems are not in place to ensure that the payments are received from respective clients	Receipts/payment of funds and receipt/delivery of securities/commodities are received/ transferred from/to respective clients only and no third-party payment/ receipts has been accepted / made on behalf of client Member maintains audit trail of the funds received and systems are in place to ensure that the funds are received from their respective clients only	Select 10 Clients with highest turnover across segment. Verify 15 instances of each client with maximum funds received by the member during the Audit period	Select 15 Clients with highest turnover across segment. Verify 25 instances of each client with maximum fund received by the Member during the Audit period
7	Incorrect reporting of margins collected from clients to the Exchange	All applicable margins are collected from respective clients in the prescribed form of funds, fixed deposit receipts, bank guarantees (only by non-individual clients in commodity derivatives as per the provisions of SEBI and Exchange circulars) and approved / liquid securities and approved commodities with appropriate haircut. Member has an efficient system for collecting and reporting client margin collection to the Exchange / clearing corporation as per the Exchange / clearing corporation / SEBI requirements including initial, peak, other margins, MTM Member has reported margin correctly and in case of false/incorrect reporting give instance wise complete details in an annexure and summary in remarks column	Top 6 dates (one date in each month of the Audit period) with highest margin requirement (combined) in each segment. Out of the 6 dates selected, top clients in each segment, with highest margin obligation as per below sampling criteria- Less than 100 active clients during the audit period - Minimum 25 clients per segment (i.e. minimum 75 clients across segments) Between 100 to 500 active clients during the audit period- Minimum 50 clients per segment (i.e. minimum 150 clients across segments) More than 500 active clients during the audit Period- Minimum 100	Number of clients to be verified to be increased by 50% as under. Less than 100 active clients during the audit period - Minimum 40 clients per segment (i.e. minimum 120 clients across segments) Between 100 to 500 active clients during the audit period- Minimum 75 clients per segment (i.e. minimum 225 clients across segments) More than 500 active clients during the audit Period- Minimum 150 clients per

			clients per segment i.e. minimum 300 clients across segments)	segment (i.e. minimum 450 clients across segments)
8	Passing of short margin penalty to clients	Member has not passed penalty to clients on account of short/non-collection of upfront margins and refunded the penalty to the clients if the same has been passed on to the clients after 11th October, 2021, except in cases where the short/non collection of upfront margin is attributable to clients viz; Cheque issued by client to member is dishonoured and/or increase in margins on account of change in hedge position by client/ expiry of some leg(s) of the hedge positions of the clients. If the Member has passed on penalty for short reporting of margins other than "upfront margins", the same is on actual basis & has provided relevant supporting documents to the client and maintained the audit trail.	Minimum prescribed clients as per sampling criteria to whom highest short margin reporting penalty has been levied during the audit period.: Less than 100 active clients during the audit period - Minimum 25 clients per segment (i.e. minimum 75 clients across segments) Between 100 to 500 active clients during the audit period- Minimum 50 clients per segment (i.e. minimum 150 clients across segments) More than 500 active clients during the audit Period- Minimum 100 clients per segment i.e. minimum 300 clients across segments)	Less than 100 active clients during the audit period - Minimum 40 clients per segment (i.e. minimum 120 clients across segments) Between 100 to 500 active clients during the audit period- Minimum 75 clients per segment (i.e. minimum 225 clients across segments) More than 500 active clients during the audit Period- Minimum 150 clients per segment (i.e. minimum 450 clients across segments)
9	Incorrect reporting of data to the Exchange in Holding Statement	Member has correctly reported to the Exchange the Securities holding balances for each of the DP account maintained by it.(Details of the difference between the actual data and the reported data should clearly be brought out)	2 random dates as prescribed in the Annexure III - Methodology	Total 3 dates as under 2 random dates as prescribed in the Annexure III - Methodology plus additional 1 random date (Other than Friday)

10	Incorrect data reported in Segregation and Monitoring of Collateral at Client Level	Member has correctly reported the data towards "Segregation and Monitoring of Collateral at Client Level" to their respective Clearing Member/Clearing Corporation	6 dates based on the highest margin obligation across all segments as prescribed in the Annexure III - Methodology	9 dates - 6 dates based on the highest margin obligation across all segments 3 dates based on highest turnover. In case dates are common with the 6 dates as above then select the next highest date as prescribed in the Annexure III - Methodology
11	Excess Payout to clients	Member has not made pay-out of funds to clients in excess of their balances	Top 100 unique clients to whom highest payout has been made during the audit period.	Top 150 unique clients to whom highest payout has been made during the audit period.