

“PART – A”

RECENT REQUIREMENTS FROM OCTOBER 01, 2017 TO JULY 31, 2018

Item 1- CONSTITUENT REGISTRATION		
Item No.	Subject	SEBI & NSE Circular No. / Download No.
1.1	Easing of access norms for investment by FPIs	<p>Download Ref. No.: NSE/INSP/37124 dated March 06, 2018</p> <p>SEBI Circular CIR/IMD/FPIC/26/2018 dated February 15, 2018 (https://www.sebi.gov.in/legal/circulars/feb-2018/easing-of-access-norms-for-investment-by-fpis_37866.html)</p>
1.2	Clarification in respect of investment by certain category II FPIs	<p>Download Ref. No.: NSE/INSP/37436 dated April 05, 2018</p> <p>SEBI Circular CIR/IMD/FPIC/47/2018 dated March 13, 2018 (https://www.sebi.gov.in/legal/circulars/mar-2018/clarifications-in-respect-of-investment-by-certain-category-ii-fpis_38198.html)</p>
1.3	Know Your Client requirements for Foreign Portfolio Investors (FPIs)	<p>Download Ref. No.: NSE/INSP/37538 dated April 16, 2018</p> <p>SEBI Circular CIR/IMD/FPIC/CIR/P/2018/64 dated April 10, 2018 (https://www.sebi.gov.in/legal/circulars/apr-2018/know-your-client-requirements-for-foreign-portfolio-investors-fpis_38618.html)</p>

Item 2 - DEALING WITH INTERMEDIARIES		
Item No.	Subject	SEBI & NSE Circular No. / Download No.
2.1	Prevention of Unauthorised Trading by Stock Brokers	<p>Download Ref. No.: NSE/INSP/36419 dated December 01, 2017 NSE/INSP/36749 dated January 15, 2018 NSE/INSP/37301 dated March 26, 2018 NSE/INSP/37965 dated June 08, 2018</p> <p>SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/124 dated November 30, 2017 (https://www.sebi.gov.in/legal/circulars/nov-2017/clarification-to-circular-on-prevention-of-unauthorised-trading-by-stock-brokers_36775.html)</p> <p>CIR/HO/MIRSD/MIRSD2/CIR/P/2018/09 dated January 11, 2018 (https://www.sebi.gov.in/legal/circulars/jan-2018/prevention-of-unauthorized-trading-by-stock-brokers_37363.html)</p> <p>SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018</p>

		<p>(https://www.sebi.gov.in/legal/circulars/mar-2018/circular-on-prevention-of-unauthorized-trading-by-stock-brokers-38365.html)</p> <p>SEBI/HO/MIRSD/DOSR1/CIR/P/2018/93 dated June 06, 2018 (https://www.sebi.gov.in/legal/circulars/jun-2018/amendments-to-prevention-of-money-laundering-maintenance-of-records-rules-2005-39207.html)</p>
2.2	SEBI Master circular for Stock Brokers	<p>SEBI/HO/MIRSD/DOP1/CIR/P/2018/87 dated June 01, 2018 (https://www.sebi.gov.in/legal/master-circulars/jun-2018/master-circular-for-stock-brokers-39166.html)</p> <p>Download Ref. No.: NSE/INSP/38317 dated July 13, 2018</p>

Item 3- DEALING WITH CLIENTS		
Item No.	Subject	SEBI & NSE Circular No. / Download No.
3.1	Issuance of Annual Global Statement	Download Ref. No.: NSE/INSP/36731 dated January 11, 2018
3.2	Issuance of Daily Margin Statement	Download Ref. No.: NSE/INSP/36786 dated January 19, 2018
3.3	Guidelines/clarifications on Margin collection & reporting	Download Ref. No.: NSE/INSP/38154 dated June 27, 2018
3.4	Discontinuation of acceptance of cash by Stock Brokers	<p>Download Ref. No.: NSE/INSP/38322 dated July 13, 2018</p> <p>SEBI/HO/MIRSD/DOP/CIR/P/2018/113 dated July 12, 2018 (https://www.sebi.gov.in/legal/circulars/jul-2018/discontinuation-of-acceptance-of-cash-by-stock-brokers-39534.html)</p>

Item 4- CONTRACT NOTES		
Item No.	Subject	SEBI & NSE Circular No. / Download No.
4.1	Format of contract note for cross currency Derivatives contracts	Download Ref. No.: NSE/INSP/37471 dated April 09, 2018

RECENT REQUIREMENTS FROM OCTOBER 01, 2017 TO JULY 31, 2018

Item 1

CONSTITUENT REGISTRATION

1.1 Easing of access norms for investment by FPIs

In order to ease norms for investment by FPIs, SEBI vide its circular dated February 15, 2018 bearing Ref. No. CIR/IMD/FPIC/ 26 /2018 dated February 15, 2018 has in consultation with stakeholders has made changes in existing regulatory provisions.

- (a) Discontinuance of requirements for seeking prior approval from SEBI in case of change in local custodian/ Designated Depository Participant (DDP).
- (b) Rationalization of procedure for submission of PCC/MCV Declarations and Undertakings (D&U) and Investor grouping requirement at the time of continuance of registration of FPIs.
- (c) Placing reliance on due diligence carried out by erstwhile DDP at the time of change of Custodian/ DDP of FPIs.
- (d) Exemption to FPIs having Multiple Investment Managers (MIM) structure from seeking prior approval from SEBI in case of Free of Cost (FOC) transfer of assets.
- (e) Simplification of process for addition of share class
- (f) Permitting FPIs operating under the Multiple Investment Managers (MIM) structure to appoint multiple custodians
- (g) Permitting appropriately regulated Private Bank/ Merchant Bank to invest on their behalf and also on behalf of their clients
- (h) Other Clarifications on Conditional registration.

1.2 Clarifications in respect of investment by certain Category II FPIs:

SEBI vide its circular dated March 13, 2018 bearing Ref. No. CIR/IMD/FPIC/47/2018 clarified in respect of investment by certain category II FPIs.

Item 2

DEALINGS WITH INTERMEDIARIES

2.1 Prevention of Unauthorised Trading by Stock Brokers

In order to strengthen the regulatory provisions against un-authorized trades, SEBI vide its circular dated March 22, 2018 bearing Ref no. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 has directed all members to execute trades of clients only after keeping evidence of the client placing the order which could be, inter alia, in the form of:

- a) Physical record written & signed by client
- b) Telephone recording
- c) Email from authorized email Id
- d) Log for internet transactions
- e) Record of messages through mobile phones
- f) Any other legally verifiable record.

Further, in case the order instructions are received from clients through telephone, the member shall mandatorily use telephone recording system to record the instructions and maintain such recordings as part of its records.

Brokers are required to maintain the records specified at para III of aforementioned circular for a minimum period for which the arbitration accepts investor complaints as notified from time to time, currently three years. However in cases where dispute has been raised, such records shall be kept till final resolution of the dispute.

It may be noted that in case of any dispute, the burden of proof will be on the member to produce the above records. However for exceptional cases such as technical failure etc where broker fails to produce order placing evidences, the broker shall justify with reasons for the same and depending upon merit of the same, other appropriate evidences like post trade confirmation by client, receipt/payment of funds/securities by client in respect of disputed trade, etc. shall also be considered.

This requirement shall be effective from April 01, 2018.

Item 3

DEALINGS WITH CLIENTS

3.1 Issuance of Annual Global Statement

SEBI has directed that all members shall issue an Annual Global Statement to their clients. The statement shall be issued within 30 days from the end of the financial year and shall contain details of all transactions executed by the client in the financial year. An indicative format of the Annual Global Statement is issued by the exchange vide circular no. NSE/INSP/36731 dated January 11, 2018.

Further, following points shall be ensured by the members:

- a) The Stock Broker may provide any additional data like ISIN, average rate, net position, etc.
- b) Consolidated report to be given for entire financial year
- c) Each distinct security/ commodity should be mentioned as a separate line item
- d) The Annual Global Transaction Statement (AGTS) may be given on trade day basis or settlement day basis
- e) AGTS should be generated PAN wise. However, a single PAN has been issued multiple UCCs (eg. NRI clients, different UCCs allotted across different segments/ exchanges), then UCC wise AGTS may be provided
- f) Effect of close out/ settlement / auction transactions should be mentioned in the purchase/ sale column, as appropriate
- g) AGTS has to be provided to all the clients within 30 days from the end of the financial year
- h) Regulatory directives as applicable from time to time regarding communication to clients should be adhered to
- i) All charges mentioned in the contract notes like Securities/ Commodities Transaction Tax, Stamp Duty, Exchange Transaction Charges, SEBI turnover fees, etc. should be provided in the report appropriately
- j) If the client desires any further information/ details regarding the AGTS, the same should be provided by the Stock Broker

3.2 Issuance of Daily Margin Statement

A format of daily margin statement across all the segments which stipulates minimum information to be provided to clients is enclosed as **Exhibit 3; Part C**

3.3 Guidelines/clarifications on Margin collection & reporting

In view of the SEBI circular SEBI/HO/MRD/DRMNP/CIR/P/2018/75 dated May 02, 2018 on "Additional Risk management measures for derivatives segment" and NSCCL circulars NSCCL/CMPT/37751 & NSCCL/CD/37750 dated May 14, 2018, Exchange has issued revised guidelines/clarification on Margin collection & reporting.

The key changes are as under:

- a) Reporting of MTM losses
- b) Collection of MTM loss by T+1 day.
- c) Collaterals considered towards upfront margin can be considered towards collection of MTM losses.

The changes will be applicable w.e.f July 01, 2018.

3.4 Discontinuation of acceptance of cash by Stock Brokers

SEBI vide its circular Ref no. SEBI/HO/MIRSD/DOP/CIR/P/2018/113 dated July 13, 2018 has modified paragraph 3 of the SEBI circular Ref no. SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003 and clarified that Stock brokers shall not accept cash from their clients either directly or by way of cash deposit to their bank account.

Item 4

CONTRACT NOTES

4.1 Format of contract note for cross currency Derivatives contracts

With the introduction of cross currency derivatives contracts, NSE vide circular Ref No. NSE/INSP/37471 dated April 09, 2018 issued a format of contract note for cross currency derivatives contracts.

The format of Common Contract note is enclosed in Exhibit 2 Part C.