POLICY ON FRAMEWORK FOR SUPERVISION OF AUTHORIZED PERSONS (APs) & BROKERS BY MEMBERS

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Reviewed By:

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POLICY NO. 18

Policy on Framework for Supervision of Authorized Persons (APs) & Branches by Members

FRANCHISEES- Standard Operating Procedures

1) Meeting prospective franchisee and to send/have
   a. Proposal mail (covering all the details as per proposal formats)
   b. Personal discussions
   c. The terms and conditions should be within the ambit of Franchise Policies and Guidelines.

2) Collecting required following documents:
   a. ID and address proof, PAN card copy, photograph , cancelled cheque leaf and education proof and Bio Data with other details.
   b. Compliance dept to collect the above data and send to V.P/E.D for getting formal approval.

3) Draft Agreement (as per the format) to be prepared & the same should be approved by AVP or V.P as the case may be

4) The approved draft agreement to be sent to the prospective Franchisee for their verification and confirmation.

5) Upon confirmation, the following should be collected from the prospective franchisee:
   a. Security Deposit
   b. Cheque for AP registration charges.
   c. Franchisee Agreement duly executed on Rs.100/- Stamp Paper.
   d. A.P registration documents duly executed on Rs. 100/ Stamp Paper.

6) Allotment of Franchisee code and other procedures:
   a. Compliance Staff to enter the franchisee details via name / address/ phone / mail id /contact person name, etc in Xpert and create the Branch code.
   b. Branch code to be created based on the following:

      1. Upon receipt of clearance of cheque received as security deposit / AP Registration (to be sent by accounts department).

2. Regional / Group identification (Mumbai region branches/ Angamaly Region branches / Ernakulam Region branches/ Chennai / C Direct etc).

3. Informing the above details to AVP/ VP and take approval. This is to ensure that correct Code / location / Group (Kolkata / Chennai / Hyderabad / Kerala etc) is created and the funds have been received.

4. Mailing the Branch code details to Accounts / Surveillance / Tech / AVP/ VP for Records and further action.

5. Tech staff will assign the accessibility for back office to the franchisee and an automated mail will be sent to the franchisee giving the user name / password.

6. Compliance will create CTCL code(Terminal Id) for Cash immediately. For F&O, admin will upload the NISM Certificate in the NSE member portal for approval. Upon successful uploading, the info is given to surveillance for updating at their end.

7. KYC dept has to create a R M Code for franchisee for identification to pay the Marketing fee and furnish the details to Admin / Marketing fee dept/ KYC

8. Marketing fee dept to follow up with KYC for getting the R M Code.

9. Upon receipt of the RM Code, Marketing fee staff has to enter the details in back office. Along with the sharing ratio etc. follow up with accounts till RM code is received.

7) AP registration procedures shall be done by the Compliance department. The relevant data of Franchisee is uploaded in the member portal and will either be accepted or rejected by the exchange. The output will be known within 24 hours after uploading.

8) Intimation to the franchisee by admin / AVP as per below details to be sent:
   a. Intimation letter informing the appointment and Branch code.
   b. Copy of the A.P agreement executed.
   c. HO Contact details with names/phone number etc.
   d. HO bank account details etc.

9) Installation of trading software/back office software done by Surveillance / Tech team. The information will be sent by surveillance to the franchisee.

10) Check list to be prepared ensuring all the above duly getting the signatures of the department concerned.

11) Sending KYC forms and brochures to the franchisee office by KYC department and this will as per the instructions from AVP.

Documents for Authorized Person Registration:- (EQUITY & COMMODITY)

1. Photograph of Applicant
2. Self attested Copy of Pan card
3. Self attested copy of Address proof: [valid passport; valid driving license; voter id card; Electricity Bill / Landline Telephone bill {should not be more than 3 months old}; Bank Statement/Passbook with entries not older than 3 months]
4. Bank Proof: Cancelled cheque leaf with name printed and IFS code; Bank Statement/Passbook with entries not older than 3 months
5. Qualification proof (Self Attested copy of School/College mark sheet; Degree/Diploma Certificate)
6. Office Address proof if applicable (Landline Telephone phone bill, Electricity bill) (Self Attested)

To enhance the effectiveness of the supervision and ensure uniformity & standardization across all Members, following guidelines, framed in joint consultation with SEBI & other Exchanges, are being issued:

i. Every Trading Member shall be required to inspect every year at least 30% of its active Authorized Persons/ Branches and also ensure that, each active AP/ Branch is inspected at least once in every three years. For this purpose, an active AP/ Branch would mean one who have executed even a single transaction during financial year and is engaged in servicing the clients.

ii. APs/Branches meeting any of the below criteria shall be inspected annually, irrespective of when the last inspection was carried out:

a) APs/Branches with more than 500 registered clients across Exchanges.

b) APs with more than 20 trading terminals and Branches with more than 50 trading terminals, across all segments/Exchanges.

c) APs/Branches against which more than 3 complaints have been received during the previous year.

In case of any inputs/ alerts about any suspicious

In case of any inputs / alerts about any suspicious transactions/dealing/assured returns etc. by an AP or a Branch, the Member shall carry out an immediate inspection, irrespective of when the last inspection was carried out and initiate appropriate action. iii. The indicative scope of the Inspection to be carried out is outlined in Annexure. The aforesaid guidelines applicable with immediate effect, however for the current FY i.e. FY 2019-20, Members shall cover 15% of their active Authorized Persons / Branches.

Members are advised to put in place adequate mechanisms to review the inspection reports and take suitable actions to ensure non-recurrence of any irregularities observed. Members shall on an annual basis place an MIS before their Board (in case of Corporate Trading Member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) on the number of inspections undertaken, irregularities observed and action taken.