

BRANCH /AP INSPECTION

We undertake the inspection of Branches and AP offices as per criteria led out by exchange and shall examine that all applicable regulatory requirements have been complied with which is laid down by MCX/SEBI including following indicative parameters:

1. Whether all clients are registered directly with stock broker only.
2. Adequate systems, including voice recording/Trade Register (wherever applicable) are put in place for recording of order placement from clients.
3. There is no movement of Funds and securities between the client and AP/branch official for settlement of trades on the Exchange. Demat statement and bank accounts of the AP to be examined to verify such instances.
4. There are no cash dealings at the AP/Branch office.
5. Documents like contract note, statement of funds, daily margin statement are not generated and issued by the AP/Branch. However, the AP/Branch may provide administrative assistance in procurement of documents after maintaining proper records of the same.
6. All terminals observed at the inspection location are as per the information reported to the Exchange.
7. Trading terminals situated at the place of inspection are operated by approved and certified users.
8. Notice board of the AP/Branch containing the all details/information prescribed from time to time, is displayed at the inspection location.
9. As required by SEBI circular CIR/MIRSD/3/2014 dated August 28, 2014, information about the grievance redressal mechanism available to investors is prominently displayed at the location.
10. The Authorised Person/Branch is not involved in any fund based activities / collecting deposits from investors / dabba trading / chit funds or any other such schemes.
11. The Branch/AP has not dealt with any other trading member/AP on behalf of its clients / self on the same Stock Exchange.
12. The Branch/AP has not dealt with any unregistered intermediary on behalf of its clients / self.

Haryana Commodities Trading Services Ltd



Director

13. The AP/Branch is not involved in accepting deposits from the public and giving assured returns.

14. Advertisements soliciting business are not issued by the Authorised Person/Branch in newspapers / pamphlets / journals / magazines etc. without appropriate approvals.

15. Complaints received at the AP/Branch location are handled and records are maintained as per the regulatory requirement.

16. Trading activities/Turnover at the AP/Branch location is monitored and necessary actions/investigations are undertaken in case of inactive AP/Branch location. Member shall, wherever required, de-activate all trading terminals extended to AP/Branch location which are inactive for more than 6 months and update Exchange records. Appropriate due diligence to be undertaken in case of re-activation of such terminals

17. The Branch/AP has the necessary infrastructure like adequate office space, equipment and manpower to effectively discharge the activities on behalf of the member.

18. Proper segregation and demarcation is maintained at AP/Branch office in case terminal of a different Member is operated or any permissible activity other than the broking business is carried out.

19. The Branch/AP records/data are properly maintained with confidentiality in a secure manner including sufficient backup.

20. In case of change/shifting of location of AP/Branch, the following is ensured:-

a) All clients mapped to the AP/Branch have been notified at least thirty days before the change.

b) Notice Board and applicable SEBI registration certificates should be immediately be put up at the new location.

c) The new location shall be duly reported to the Exchange and the old location should be deactivated. New terminal details shall also be uploaded to the Exchange.

21. The Report of Inspection shall, in addition to the above clearly comment on the following:-

a) The functioning of the AP/Branch. The various activities undertaken by the AP/Branch.

b) Number of Employees of the AP/Branch.

c) Number of clients mapped to the AP/Branch.

d) Process of Client registration and on boarding.

e) Order placing mechanism at AP /Branch level.

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Director

- f) Role of Branches/APs with respect to pay-in and pay-out of funds/securities with clients.

Members shall retain the report of the inspection/visit conducted for a period of not less than five years. The inspection reports shall be made available for verification by SEBI/Exchanges as and when required including any related information/details that may be sought.

Adequate follow up mechanism in case of adverse observations during branch /AP inspections

If during the inspection of Branch /Ap's some adverse observations found then following policy has been framed so that corrective action to be taken :-

1. The adverse observations will be communicated to Authorized Person /Branch seeking explanation why such non compliance has been observed
2. Secondly a quarterly MIS should be put up to the Board about those AP's of whom adverse observations has been found and then board would decide what corrective action to be taken after examining the nature of non compliances. The following are given corrective actions:-
 - a) Issuance of warning letter
 - b) Termination of AP/Branch
 - C) Penal action if observation is serious in nature.

Ludhiana Commodities Trading Services Ltd

Director