



Circular no.: MCX/INSP/601/2019

October 22, 2019

Framework for Supervision of Authorised Persons (APs) and Branches by Members

Member's attention is drawn to the provision of SEBI circular nos. MIRSD/ DR-1/ Cir- 16 /09 dated November 06, 2009, SEBI/Cir/MIRSD/AP/8/2010 dated July 23, 2010 on Market Access through Authorised Persons and the Business Rules of the Exchange.

In order to enhance the effectiveness of the supervision and ensure uniformity and standardisation across all Members, the following guidelines for Supervision of Authorised Persons (APs) and Branches by Members, framed in joint consultation with SEBI and other Exchanges, are issued as under:

- 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 transactions/dealing/assured returns etc. by an AP or a Branch, Members 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 1**.

The aforesaid guidelines are 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.



Members are advised to take note of the above and comply with the applicable requirements.

C N Upadhyay
Vice President
(Inspection & Audit)

Enclosed: Annexure 1 – Indicative Scope of Branch/AP Inspection by Members

Kindly contact Inspection & Audit Team on 022-66494150 or send an email at Inspection@mcxindia.com for further clarification.

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