**POLICY FOR INSPECTION OF BRANCH / AUTHORISED PERSON (AP)**

**BACKGROUND:**

With reference to circular issued by Exchanges, SEBI, Regulators time to time on the supervisory framework with respect to Member’s branches and Authorised Persons (AP) network.

According to the guidelines issued by SEBI, with regard to monitoring and review of trading activities of APs & Branches including periodic inspection of branches and Authorised Person APs, and records of operations carried out by them.

**COMPLIANCE REQUIREMENT:**

In order to enhance the effectiveness of the supervision and ensure uniformity & standardization across all members, the following guidelines are being issued by SEBI & other Exchanges:

1. Company name inspect every year at least 30% of its active Authorised Persons/Branches and also ensure that each active AP/Branches is inspected at least once in every three years. For this purpose, an active AP/Branches would mean one who have executed even single transaction during the financial year and is engaged in servicing the clients.
2. APs/Branches meeting any of the below criteria shall be inspected annually, irrespective of when the last inspection was carried out:
3. APs/Branches with more than 500 registered clients across Exchanges
4. APs with more than 20 trading terminals and Branches with more than 50 trading terminals, across all segments/Exchanges.
5. 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 any Branch / AP, Company name shall carry out an immediate inspection, irrespective of when the last inspection was carried out and initiate appropriate action.

3. The indicative scope of the Inspection to be carried out is outlined in Annexure A.

**REQUIREMENT OF KEEPING RECORDS:**

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.

**MECHANISM:**

Company name has adequate mechanisms are required to be maintained to review the inspection reports and take suitable actions to ensure non-recurrence of any irregularities observed. On an annual Basis, MIS shall be placed before the board on the number of inspections undertaken, irregularities observed and action taken.

**Annexure-A**

**INDICATIVE SCOPE OF BRANCH /AP INSPECTION BY MEMBERS**

1. At the time of undertaking the inspection of Branches and AP offices shall examine that all applicable regulatory requirements have been complied with including following indicative parameters:
2. Whether all clients are registered directly with stock broker only.
3. Adequate systems, including voice recording (wherever applicable) are put in place for recording of order placement from clients
4. 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.
5. There are no cash dealings at the AP/Branch office.
6. Documents like contract note, statement of funds, daily margin statement is 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.
7. All terminals observed at the inspection location is as per the information reported to the Exchange
8. Trading terminals situated at the place of inspection are operated by approved and certified users.
9. Notice board of the Trading Member containing the all details/information prescribed from time to time, is displayed at the inspection location.
10. SEBI registration certificate of the Trading Member and registration letter issued by the Exchange is displayed at the inspection location.
11. 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.
12. 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.
13. The Branch/AP has not dealt with any other trading member/AP on behalf of its clients / self on the same Stock Exchange.
14. The Branch/AP has not dealt with any unregistered intermediary on behalf of its clients / self.
15. The AP/Branch is not involved in accepting deposits from the public and giving assured returns.
16. Advertisements soliciting business are not issued by the Authorised Person/Branch in newspapers / pamphlets / journals / magazines etc. without appropriate approvals.
17. Complaints received at the AP/Branch location are handled and records are maintained as per the regulatory requirement
18. 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 & update Exchange records. Appropriate due diligence to be undertaken in case of re-activation of such terminals.
19. The Branch/AP has the necessary infrastructure like adequate office space, equipment and manpower to effectively discharge the activities on behalf of the member.
20. 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.
21. The Branch/AP records/data are properly maintained with confidentiality in a secure manner including sufficient backup.
22. In case of change/shifting of location of AP/Branch, the following is ensured: -
23. All clients mapped to the AP/Branch have been notified at least thirty days before the change.
24. Notice Board and applicable SEBI registration certificates should be immediately be put up at the new location.
25. 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.
26. The Report of Inspection shall, in addition to the above clearly comment on the following: -
27. The functioning of the AP/Branch. The various activities undertaken by the AP/Branch.
28. Number of Employees of the AP/Branch.
29. Number of clients mapped to the AP/Branch.
30. Process of Client registration and on boarding.
31. Order placing mechanism at AP /Branch level.
32. Role of Branches/APs with respect to pay-in & pay-out of funds/securities with clients.

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| Policy reviewed by: | Mr. Mehul Prakash Bhadra |
| Policy Approved by: | Mr. Arvind Vinchhivora |
| Approved by the Board on: | April 13, 2024 |
| Name of the entity: | Pinnacle Forex & Securities Pvt Ltd |