

Annual Compliance Report 2013 – 2014

To

Head – Legal & Compliance

Ace Derivatives and Commodity Exchange Limited

4th Floor, Building No. 4, Infinity IT Park,

Gen. A. K. Vaidya Marg,

Malad (East),

Mumbai 400 097

I/We, M/s. _____ a Member of the Exchange (Member ID _____) hereby certify and confirm that for the year/period ended March 31, 2014, I/we have complied with all the provisions of the Bye Laws, Rules, Business Rules, Circulars and Directives issued by the Exchange/Forward Markets Commission from time to time, in general and in particular all the specific areas listed in the Annexure of this Report. Details of non-compliance(s), deviation(s) and exception(s), if any, are also listed therein with appropriate remarks.

I/We, hereby declare that the details furnished in the Annexure are true and correct to the best of my/our knowledge and belief.

For and on behalf of _____
(Name of member)

**Signature of Managing Director/Whole Time
Director/ Managing Partner /Proprietor/Karta
Name:** _____

Office seal

Date:

Place:

Annexure

Sr. No.	Rule/Bye Law/ Business Rules/ Circular of the Exchange	Particulars	Status of compliance (Yes / No)	Remarks
1. Books of Accounts, Documents, Records and Registers				
1.1	Business Rule 7.1	Register of Transactions (Sauda Book)		
1.2	Business Rule 7.1	Exchange wise Client Ledgers		
1.3	Business Rule 7.1	General Ledgers		
1.4	Business Rule 7.1	Journals		
1.5	Business Rule 7.1	Cash Book		
1.6	Business Rule 7.1	Bank Pass Book / Statement		
1.7	Business Rule 7.1	Register of Commodities		
1.8	Business Rule 7.1	Records in respect of Premium / Discount and final settlement amounts (including taxes and charges on commodities of constituents)		
1.9	Business Rule 7.1.16	Register of complaints / investors grievance register		
1.10	Business Rule 7.1.3 (c)	Records in respect of brokerage collected separately from Constituents		

Sr. No.	Rule/Bye Law/ Business Rules/ Circular of the Exchange	Particulars	Status of compliance (Yes / No)	Remarks
1.11	Business Rule 7.1.13	Records maintained after closing of constituents account for a period of not less than six years.		
1.12	Business Rule 6.2.1 (a)	Records of all relevant particulars of persons who are approved as users by the Exchange have been maintained.		
2. Dealings With Clients				
2.1	Business Rule 6.4.1, Circular no. ACE/L&C- 001/2010/001 dated October 26, 2010, ACE/L&C- 001/2012/006 dated January 11, 2012, ACE/L&C- 007/2013/078 dated August 29, 2013 and ACE/L&C- 001/2014/029 dated March 24, 2014	Know Your Client (KYC) forms, Risk Disclosure document, Rights and Obligations of members, authorized persons and clients, Common client registration forms, Dos and Don't's for the Investors and tariff sheet are obtained from all clients before accepting or placing orders on their behalf.		
2.2	Circular no. ACE/L&C- 001/2010/001 dated October 26, 2010	<u>Obtention of PAN details/ Declaration</u> Details of Income Tax PAN numbers or the declaration of not having PAN have been obtained from all active clients and uploaded.		
2.3	ACE/L&C- 012/2011/096 dated October 10, 2011	Guidelines on Pre- Funded Instruments (Pay Order and Demand Drafts) / Electronic Fund Transfer are followed.		

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2.4	ACE/L&C- 003/2010/009 dated October 26, 2010	KYC documents such as MCA, RDD, KYC Forms etc. required to be signed by clients do not contain inequitable, onerous or unreasonable conditions imposed on clients such as:- (i) Waiver to the Member from sending contract notes; (ii) Retaining the M-T-M (mark to market) gains by the Member with himself; (iii) Any condition which gives the member the freedom to trade on behalf of the client without the explicit and specific order issued by the client.		
2.5	ACE/L&C- 005/2010/026 dated 28.10.2010	Unique client codes have been allotted to all clients and the correct client codes have been entered in the system while placing orders on behalf of clients which have been correctly mapped to the back office accounts. Client details as required have been maintained and have been provided to the Exchange as required.		
2.6	ACE/L&C- 007/2011/045 dated April 27, 2011	<u>Monitoring of Inactive clients</u> 1. Not accepted trades in Inactive Client Accounts without obtaining undertaking from clients in the format prescribed by the Exchange and in case material changes in client details are observed, fresh KYC is carried out. 2. Trades are executed in the same client code i.e., the client code issued earlier to the concerned client.		

Sr. No.	Rule/Bye Law/ Business Rules/ Circular of the Exchange	Particulars	Status of compliance (Yes / No)	Remarks
2.7	ACE/MEM-001/2013/001 dated January 1, 2013, ACE/MEM-007/2013/046 dated June 4, 2013 & ACE/MEM-008/2013/053 dated June 26, 2013.	Uploaded the Mobile number / Email IDs of the clients in the UCC database, to ensure that SMS / Emails are sent to its constituents for the trades carried out by them.		
2.8	Business Rule 5.3.2	Pay-in of funds due from clients is received from the respective clients only.		
2.9	Business Rule 5.3.2	Payout of funds due to the clients is made to the respective clients only.		
2.10	ACE/L&C-003/2010/009 dated 26.10.2010.	Evidence of the client placing orders (physical form or in the form of sound recording), has been maintained.		

3. Margins

3.1	Business Rule 5.7 and ACE/L&C-002/2010/010 dated January 14, 2012	Margins are collected from clients as specified by the Exchange.		
3.2	Business Rule 5.9.5	MTM settlement is collected from the constituents as prescribed		
3.3	Business Rule 5.3	Margins are collected from the director or an employee of the Member		

4. Contract Notes

Sr. No.	Rule/Bye Law/ Business Rules/ Circular of the Exchange	Particulars	Status of compliance (Yes / No)	Remarks
4.1	Business Rule 5.7, ACE/L&C- 008/2011/046 dated May 02, 2011 and ACE/L&C- 001/2014/029 dated March 24, 2014	Contract notes have been dispatched to all constituents within 24 hours of execution of trades		
4.2	Business Rule 5.7, ACE/L&C- 008/2012/032 and ACE/L&C- 005/2013/063 dated July 17, 2013	Contract Notes are issued in the prescribed formats		
4.3		Contract note shall be signed by a Member or his Authorized signatory and shall be numbered with unique running serial number initiated at the beginning of each financial year.		
4.4	ACE/L&C- 003/2010/009 dated October 26, 2010	Copies/duplicates of Contract Notes issued by the Trading Member are maintained.		
4.5	ACE/L&C- 003/2010/009 dated October 26, 2010	Evidence of having dispatched the contract note to the client has been preserved		
4.6	Business Rule 5.7 and ACE/L&C- 008/2011/046 dated May 02, 2011	Electronic Contract Notes (ECN) form has been obtained from the client specifically indicating his preference for receipt of contract notes in electronic form.		

Sr. No.	Rule/Bye Law/ Business Rules/ Circular of the Exchange	Particulars	Status of compliance (Yes / No)	Remarks
4.7	Business Rule 5.7 and ACE/L&C- 008/2011/046 dated May 02, 2011	Whether ECN Declarations have been obtained from the clients		
4.8	Business Rule 5.8.3	Brokerage has been charged separately and indicated separately, in the contract note.		
5. Handling of Funds and Commodities				
5.1	Business Rule 7.1.5	Maintaining Separate Client and Own Bank Accounts.		
5.2	Business Rule 7.1.6	Segregation of Client's Funds and Own Funds		
5.3	Business Rule 7.1.6 & ACE/L&C- 008/2011/046 dated May 02, 2011	Statement of accounts has been sent every month to all the clients in physical form. The proof of delivery of the same has also been preserved by the member.		
5.4	Business Rule 7.1.6	No transfer / withdrawal from clients' account is made except under the circumstances enumerated in Business Rules.		
5.5	ACE/L&C- 009/2010/039 dated 10.12.2010	All payments have been received/made from/to the clients strictly by account payee crossed cheques/ demand drafts or by way of direct credit into the bank account through EFT, or any other mode allowed by RBI.		
5.6	Business Rule 6.7.5	Funds/commodities of constituents have not been improperly used		

Sr. No.	Rule/Bye Law/ Business Rules/ Circular of the Exchange	Particulars	Status of compliance (Yes / No)	Remarks
5.7	Business Rule 6.5.14	Full payment of funds / commodities have been made to all constituents within 24 hours of receiving the relevant pay out.		
5.8	ACE/L&C- 006/2012/026 dated February 17, 2012, ACE/L&C- 002/2013/043 dated May 30, 2013 & ACE/L&C- 004/2013/056 dated June 28, 2013	Quarterly settlement of account of clients.		
5.9	Business Rule 6.5.14 and 6.7.5	Commodities of the constituents have always been kept in a separate constituent beneficiary account and operated.		
5.10	ACE/L&C- 002/2014/030 dated March 24, 2014	Complied with the guidelines for dealing in cash transactions with clients		
6. Trading and Office Management				
6.1	Business Rule 4.2	Trading terminals are operated by the respective approved users only.		
6.2	Business Rule 4.1.13	TWS terminals have not been extended /installed without the approval of the Exchange.		
6.3	Business Rule 4.2.8 (d)	Former trading member or a user of such trading member is not a user without the approval of the Exchange.		
6.4	ACE/TECH- 002/2011/069 dated July 18, 2011	Information of the CTCL Terminals allotted are uploaded on the Extranet.		
6.5		Trades executed for own account have not been subsequently transferred to a constituent and vice versa		

Sr. No.	Rule/Bye Law/ Business Rules/ Circular of the Exchange	Particulars	Status of compliance (Yes / No)	Remarks
6.6	ACE/T&S- 006/2012/022 dated February 3, 2012	Trades on own account have been executed under 'OWN' code only and no client code is allotted to carry out proprietary trades.		
6.7	ACE/TECH- 002/2013/023 dated March 28, 2013, ACE/TECH- 003/2013/029 dated April 15, 2013 and ACE/TECH- 001/2014/001 dated January 01, 2014.	The Guidelines on Algorithmic Trading/High Frequency Trade (HFT) have been complied with.		
6.8	ACE/TECH- 002/2013/023 dated March 28,2013	System Audit of Algo trading system and submission of Audit Report to the Exchange.		
7. Membership Requirements				
7.1	ACE/MEM- 001/2010/016 dated October 26, 2010 and ACE/MEM- 006/2012/059 dated April 30, 2012.	No change in share holding involving change in DPG constituents / percentage of DPG Constituents has been undertaken without prior approval of the Exchange.		
7.2	ACE/MEM- 001/2010/016 dated October 26, 2010	No change in shareholding wherein percentage holding of the existing DPG constituents goes below 51% has been undertaken		
7.3	ACE/MEM- 001/2010/016 dated October 26, 2010	Change in directors / partners of the corporate / firm has been intimated to the Exchange.		
7.4		Net worth is being maintained above the minimum stipulated level at all times.		

Sr. No.	Rule/Bye Law/ Business Rules/ Circular of the Exchange	Particulars	Status of compliance (Yes / No)	Remarks
7.5	Rule 5.20.1 (i) and ACE/L&C- 007/2010/037 dated December 10, 2010	No advertisements have been released for business purposes contrary to the Guidelines issued by the Exchange.		
7.6	Bye Law 5.29	<u>Trading member acting for another trading member:</u> We have not acted through or on behalf of another trading member for trading on the Exchange either for proprietary trading or for trading on behalf of clients without the prior approval of the Exchange in writing.		
8. Others				
8.1	Bye Law 18.6.1 (e)	No brokerage has been shared with or carries on business or makes any deal for or with any Trading Member/Clearing Member who has been suspended, expelled or declared a defaulter.		
8.2	ACE/L&C- 002/2010/008 dated October 26, 2010, ACE/L&C- 010/2013/090 dated October 7, 2013 and ACE/L&C- 011/2013/104 dated November 11, 2013	We do not indulge in Portfolio Management Services (PMS)		
8.3	ACE/MEM- 001/2012/027 dated February 17, 2012	Obligations of the member as stated in the regulatory framework for market access through Authorised Persons is adhered to.		
8.4	ACE/MEM- 001/2012/027 dated	Periodic Inspection/Audit of Authorized Persons is carried out		

Sr. No.	Rule/Bye Law/ Business Rules/ Circular of the Exchange	Particulars	Status of compliance (Yes / No)	Remarks
	February 17, 2012			
8.5	ACE/L&C- 002/2010/008 dated October 26, 2010 and ACE/L&C- 006/2013/077 dated August 29, 2013.	Guidelines for Anti Money Laundering and Know Your Customer (KYC) Norms have been adhered to including intimation of details of the 'Principal Officer' to The Director-FIU.		
8.6	ACE/L&C- 008/2010/038 dated December 10, 2010	<u>Display of Details at Member's Office</u> The prescribed details are prominently displayed at the Member's main/ branch office as also at the offices of the Authorised Persons		
8.7	ACE/L&C- 005/2011/042 dated April 18, 2011	BPO/KPO Services are segregated from commodity derivatives markets.		

For and on behalf of _____

(Name of member)

Place: _____

Date : _____

**Signature of Managing Director/Whole Time Director/
Managing Partner /Proprietor/Karta**

Name: _____

Office seal

Notes:

1. Please initial on all pages.
2. Kindly give details of partial/non compliances in the remarks column.
3. Kindly note that for items referred as “Not Applicable”, the member must provide reasons for non applicability in the respective remarks column.
4. Please also note that no item shall be left blank and that any item that is left blank will be construed as not complied with.
5. Where space in remarks column is not sufficient for comment, please enclose self certified annexure/s.
6. Download the editable (.pdf) of the ACR 13 – 14 from ACE website under Downloads section or click <http://www.aceindia.com/membership/compliance>