

Stock Brokers Internal Audit of Checklist

(Sample)

1. REGULATORY COMPLIANCE

1.1 SEBI Registration & Licensing

- ☐ Valid SEBI registration certificate maintained
- ☐ Registration renewal done on time
- ☐ All required licenses (NSE, BSE, MCX, etc.) are current
- ☐ Trading member agreements signed and updated
- ☐ Clearing member agreements (if applicable) maintained
- ☐ Professional clearing member documentation verified

1.2 SEBI Compliance Requirements

- ☐ SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 compliance verified
- ☐ SEBI (Research Analysts) Regulations, 2014 compliance (if applicable)
- ☐ SEBI (Investment Advisers) Regulations, 2013 compliance (if applicable)
- ☐ SEBI (Prohibition of Insider Trading) Regulations, 2015 compliance
- ☐ SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 compliance

1.3 Exchange Compliance

- ☐ NSE/BSE bye-laws and circulars compliance verified
- ☐ Exchange membership fees paid on time
- ☐ Compliance with exchange trading rules and regulations
- ☐ Proper margin requirements maintained
- ☐ Risk management systems as per exchange norms

2. FINANCIAL COMPLIANCE

2.1 Net Worth Requirements

- ☐ Minimum net worth of ₹25 lakhs maintained (cash market)
- ☐ Additional net worth for F&O segment (₹50 lakhs) verified
- ☐ Currency derivatives net worth requirements (₹25 lakhs) checked
- ☐ Monthly net worth calculations reviewed
- ☐ Net worth certificate from CA obtained annually

2.2 Capital Adequacy

- ☐ Base minimum capital maintained
- ☐ Liquid assets computation verified
- ☐ Adjusted net worth calculations reviewed
- ☐ Capital adequacy ratio maintained as per norms
- ☐ Stress testing of capital adequacy performed

2.3 Client Security Deposits

- ☐ Client security deposits collected as per norms
- ☐ Segregation of client funds maintained
- ☐ Client protection fund contributions made



- ☐ Bank guarantees/fixed deposits for client protection maintained
- ☐ Interest on client deposits calculated and paid correctly

3. CLIENT MANAGEMENT

3.1 Client Onboarding (KYC)

- ☐ KYC documentation complete for all clients
- ☐ In-Person Verification (IPV) conducted and documented
- ☐ PAN card verification completed
- ☐ Bank account verification done
- ☐ Income proof collected where required
- ☐ Risk profiling of clients completed
- ☐ Client registration forms signed and maintained

3.2 Client Agreements

- ☐ Client agreements executed in prescribed format
- ☐ Risk disclosure documents signed by clients
- ☐ Rights and obligations document provided to clients
- ☐ Tariff sheet provided and acknowledged by clients
- ☐ Policy and procedure document shared with clients

3.3 Client Fund Management

- ☐ Client funds kept in separate bank accounts
- ☐ No mixing of client and proprietary funds
- ☐ Daily reconciliation of client funds
- ☐ Proper accounting of client securities
- ☐ Client-wise ledger maintenance
- ☐ Running account settlement properly managed



4. TRADING & OPERATIONS

4.1 Trading Systems & Controls

- ☐ CTCL (Connectivity, Trading, Clearing & Settlement) systems operational
- ☐ Pre-trade risk management systems functioning
- ☐ Position limits and exposure limits set appropriately
- ☐ Real-time monitoring of client positions
- ☐ Circuit breakers and auto-square off mechanisms working
- ☐ Audit trail of all trading activities maintained

4.2 Order Management

- ☐ Order entry procedures documented and followed
- ☐ Time stamping of orders as per regulations
- ☐ Order modification and cancellation procedures compliant
- ☐ Unauthorized trading controls in place
- ☐ Client authorization for orders verified

4.3 Settlement & Clearing

- ☐ Settlement obligations met on time
- ☐ Pay-in and pay-out processes followed correctly
- ☐ Delivery instructions processed accurately
- ☐ Failed settlement handling procedures in place
- ☐ Corporate action processing verified



5. RISK MANAGEMENT

5.1 Risk Management Framework

- ☐ Board-approved risk management policy in place
- ☐ Risk management committee constituted
- ☐ Risk management systems and procedures documented
- ☐ Regular risk assessment and monitoring
- ☐ Stress testing procedures established

5.2 Credit Risk Management

- ☐ Client credit evaluation procedures in place
- ☐ Exposure limits set based on client financials
- ☐ Margin collection and monitoring systems
- ☐ Collateral management procedures
- ☐ Default management procedures established

5.3 Market Risk Management

- ☐ Position limits set and monitored
- ☐ Value-at-Risk (VaR) calculations performed
- ☐ Concentration risk monitoring
- ☐ Sector and scrip-wise exposure limits
- ☐ Derivative positions risk monitoring

5.4 Operational Risk Management

- ☐ Business continuity plan in place
- ☐ Disaster recovery procedures tested



- ☐ System downtime management procedures
- ☐ Employee fraud prevention measures
- ☐ Cyber security measures implemented

6. TECHNOLOGY & SYSTEMS

6.1 IT Infrastructure

- ☐ Trading systems certified by exchanges
- ☐ System capacity adequate for business volume
- ☐ Network connectivity redundancy maintained
- ☐ Data backup and recovery procedures in place
- ☐ System security measures implemented

6.2 Data Management

- ☐ Client data security and confidentiality maintained
- ☐ Data retention policies implemented
- ☐ Regular data backup performed
- ☐ Data integrity checks conducted
- ☐ Access controls and user management

6.3 Cyber Security

- ☐ Firewall and antivirus systems updated
- ☐ Intrusion detection systems in place
- ☐ Regular security audits conducted
- ☐ Employee cyber security training provided
- ☐ Incident response procedures documented

7. FINANCIAL REPORTING & ACCOUNTS

7.1 Books of Accounts

- ☐ Proper books of accounts maintained as per Companies Act
- ☐ Client-wise ledgers maintained
- ☐ Daily cash and position reconciliation
- ☐ Monthly financial statements prepared
- ☐ Annual audited financial statements prepared

7.2 Regulatory Reporting

- ☐ Monthly returns filed with SEBI/exchanges on time
- ☐ Annual compliance report submitted
- ☐ Quarterly financial results filed
- ☐ Event-based disclosures made as required
- ☐ Client complaint reports submitted

7.3 Internal Financial Controls

- ☐ Segregation of duties maintained
- ☐ Authorization limits defined and followed
- ☐ Bank reconciliation performed daily
- ☐ Investment of surplus funds as per regulations
- ☐ Related party transaction approvals obtained



8. COMPLIANCE MONITORING

8.1 Compliance Function

- ☐ Dedicated compliance officer appointed
- ☐ Compliance manual prepared and updated
- ☐ Regular compliance training conducted
- ☐ Compliance monitoring and testing performed
- ☐ Non-compliance issues tracked and resolved

8.2 Internal Controls

- ☐ Internal control systems documented
- ☐ Regular internal audits conducted
- ☐ Management information systems in place
- ☐ Exception reporting mechanisms established
- ☐ Corrective action procedures defined

8.3 External Compliance

- ☐ Statutory auditor appointment and reports
- ☐ Exchange inspection compliance
- ☐ SEBI inspection preparedness
- ☐ Tax compliance (GST, Income Tax, etc.)
- ☐ Other regulatory compliance (RBI, MCA, etc.)



9. CLIENT GRIEVANCES

9.1 Grievance Handling

- ☐ Client grievance policy documented
- ☐ Grievance officer appointed
- ☐ Complaint registration and tracking system
- ☐ Timely resolution of complaints
- ☐ Escalation procedures for unresolved complaints

9.2 Investor Protection

- ☐ Investor grievance mechanism published
- ☐ Client education programs conducted
- ☐ Investor awareness initiatives undertaken
- ☐ Client feedback system implemented
- ☐ Regular client satisfaction surveys

10. HUMAN RESOURCES & GOVERNANCE

10.1 Personnel Management

- ☐ Qualified and experienced personnel employed
- ☐ Regular training programs conducted
- ☐ Performance evaluation systems in place
- ☐ Code of conduct for employees
- ☐ Background verification of employees



10.2 Corporate Governance

- ☐ Board meetings conducted as per regulations
- ☐ Independent directors appointed where required
- ☐ Audit committee constituted and functional
- ☐ Annual general meetings conducted
- ☐ Statutory registers maintained

11. ANTI-MONEY LAUNDERING (AML)

11.1 AML Compliance

- ☐ AML policy document prepared and implemented
- ☐ Customer Due Diligence (CDD) procedures followed
- ☐ Suspicious transaction monitoring system in place
- ☐ STR/CTR filing with FIU-IND as required
- ☐ AML training provided to employees

11.2 Know Your Customer (KYC)

- ☐ KYC norms as per PMLA regulations followed
- ☐ Periodic KYC updates conducted
- ☐ Enhanced due diligence for high-risk clients
- ☐ PEP (Politically Exposed Persons) identification
- ☐ Record maintenance as per AML requirements



12. SPECIFIC SEGMENT COMPLIANCE

12.1 Equity Cash Marke

- ☐ T+1 settlement compliance
- ☐ Delivery vs. Payment mechanism followed
- ☐ Corporate action processing compliance
- ☐ Bonus, dividend, and rights issue handling

12.2 Derivatives Market

- ☐ F&O segment compliance requirements met
- ☐ Position limits and client limits monitored
- ☐ Physical delivery procedures for derivatives
- ☐ Options exercise and assignment handling

12.3 Currency Derivatives

- ☐ Currency derivatives trading compliance
- ☐ Client suitability and appropriateness verified
- ☐ Position limits for currency derivatives
- ☐ Settlement and delivery procedures

12.4 Commodity Derivatives

- ☐ MCX/NCDEX membership compliance
- ☐ Commodity derivatives risk management
- ☐ Warehouse receipt procedures
- ☐ Physical delivery compliance

