

## **POLICY DOCUMENT FOR ACCREDITATION OF BROKERS IN OTC INTEREST RATE DERIVATIVES**

1. Accreditation of a broker will be subject to the approval of a FIMMDA Committee and the following criteria's could be looked into while approval:
  - a) Quality of personnel (experience in debt market)
  - b) Senior Management
  - c) Board of Directors
  - d) Market feedback
  - e) On site visit
  - f) Personal Interviews, etc.
2. The tangible net worth of the broking firm should be minimum Rs. 25 lacs.
3. The applicant firm should submit audited financial statements for the last three years. This stipulation will not apply to new firms or firms which have been in business for less than three years, who should submit financial statements for completed years.
4. Fees & Security deposit:
  - a. Upon receipt of intimation that the application for accreditation has been cleared by the FIMMDA Committee, a onetime processing fee of Rs 100,000/- would be payable by each broker to FIMMDA.
  - b. On receipt of the processing fees, an Accreditation Certificate valid for two years, signed by the CEO FIMMDA, and one Director, FIMMDA would be issued to the Broker
  - c. On renewal of the Accreditation, a processing fee of Rs 25,000/- would be payable by the Broker
  - d. The security deposit will be Rs. 1,500,000/- per centre in the form of term deposit (for three years) with a lien thereon in favour of FIMMDA. Interest on the deposit will accrue to the broker. However, in the event of a dispute

- between a broker and a bank, the deposit may be invoked, if the broker is found to be liable for making up the loss incurred by a bank on account of the broker missing a price and failing to close on a “fixed” price. Please refer the clause of “Penalties” under “Code of Conduct – Dealers and Brokers.”
5. The accredited broking firms would at all times maintain the necessary infrastructure as per the standard requirements of FIMMDA prescribed in the “Code of Conduct – Dealers and Brokers”.
  6. The broking firm would normally need to operate within the city of Mumbai. However, based upon applications for accreditation, the FIMMDA committee may exercise and include brokers from other centres also.
  7. Brokers must subscribe to the “Code of Conduct – Dealers and Brokers” operating in OTC Interest Rate Derivative market brought out by FIMMDA. In case of violation of the Code of Conduct, FIMMDA reserves the right to suspend/cancel the accreditation of the concerned broker on the recommendation of the Guidance Committee.
  8. For supervision and control, FIMMDA reserves the right to appoint auditors for the same. The costs for the appointment of such auditors would be borne by the broking entity undergoing such supervision.
  9. The Accreditation will be valid for two years to be reviewed and renewed thereafter on the basis of performance. Request for accreditation of brokers received for consideration would be noted in a register with annotations of action taken thereon at various stages.
  10. FIMMDA reserves the right to carry out a review of accreditation, anytime during the validity of the accreditation, without assigning any reason thereof.
  11. Statutory fees (stamp duty or other applicable duties) if any would be as per regulations in force, from time to time.
  12. A brokerage cap of 0.25 paise percent (quarter paise per Rs. 100/-) on notional amount (one leg of the notional if there are two legs e.g. in a swap) would be fixed.

13. FIMMDA will not assume any liability for any damages incurred by the brokers / principals, in the course of transactions.
14. The broking firm will maintain proper books of accounts and records etc, which should be produced for verification to any of FIMMDA's authorized personnel.
15. FIMMDA to obtain a satisfactory Credit Report/Status Report on the firm/company.
16. Undertaking:
  - a. Undertaking duly signed by the proprietor/all partners to become a member of an association catering to the needs of fixed income derivative brokers (if in existence) and be guided by their Memorandum and Articles of Association.
  - b. Undertaking signed by the proprietor/all partners jointly and severally that they are and shall continue to be personally liable for the affairs of the firm at all centres.
  - c. For companies all Directors (other than nominee Directors) shall furnish the Undertaking.
17. Supervision and Control: Audited financial statements, turnover statements and any other statements/return stipulated by FIMMDA should be submitted by the broking firm annually.
18. The above norms apply to OTC brokers only and not to Electronic Order Matching Systems (EOMS). FIMMDA will issue separate guidelines & code of conduct for EOMS.
19. FIMMDA will issue a certificate of accreditation to the broker.