

## *Audit of Accounts of Members of Stock Exchanges (Revised)*

This industry specific Guidance Note provides guidance to members in carrying out an audit of accounts of members of stock exchanges. Like the aforementioned industry specific guidance notes on insurance industry, this Guidance Note also aims to assist the members in effective and efficient discharge of such engagements by, among other things, strengthening their knowledge of the business being carried on by the members of stock exchanges. The following bullet points highlight the important areas covered by the Guidance Note:

- *Overview of Functioning of Stock Exchanges:* regulation of stock exchanges, SEBI, governing body, membership, margins, trading systems, trading on NSE, special terms book, trading on BSE, depositories and dematerialisation, settlement of trades, settlement mechanism at NSE and BSE, insider trading, unfair trade practices and market manipulation, and other important aspects.
- *Securities Lending and Borrowing:* securities lending scheme
- Rolling Settlement
- Derivatives
- Accounting for Stock Exchange Transactions
- *Conducting the Audit:* nature and scope of audit, books of account and other documents to be seen - register of transactions, contract notes, clients' bills and ledger, settlement control account, clearing house bank account, brokerage account, margin deposit book, own trading book, inwards/ outwards register, demat securities etc.
- *Accounting and Audit of Derivative Transactions:* futures, mechanics of trading in futures, call options, audit of derivatives transactions, auditing futures and options.
- Auditor's Report

The Guidance Note also contains relevant notification of Government of India, Glossary of terms used in the Derivatives contracts, and the SEBI checklist for auditors.

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