



Conditions that a recognised association is required to fulfil to be notified as a recognised association for the purposes of clause (e) of the proviso to clause (5) of section 43.

6DDC. For the purposes of clause (e) of the proviso to clause (5) of section 43, a recognised association shall fulfil the following conditions in respect of trading in derivatives, namely:—

- (i) the recognised association shall have the approval of the Forward Markets Commission established under the Forward Contracts (Regulation) Act, 1952 (74 of 1952) in respect of trading in derivatives and shall function in accordance with the guidelines or conditions laid down by the Forward Markets Commission;
- (ii) the recognised association shall ensure that the particulars of the client (including unique client identity number and PAN) are duly recorded and stored in its databases;
- (iii) the recognised association shall maintain a complete audit trail of all transactions (in respect of derivative market) for a period of seven years on its system;
- (iv) the recognised association shall ensure that transactions (in respect of derivative market) once registered in the system are not erased;
- (v) the recognised association shall ensure that the transactions (in respect of derivative market) once registered in the system are modified only in cases of genuine error and maintain data regarding all transactions (in respect of derivative market) registered in the system which have been modified and submit a monthly statement in Form No. 3BC to the Director General of Income-tax (Intelligence and Criminal Investigation), New Delhi within fifteen days from the last day of each month to which such statement relates.

