

## FREQUENTLY ASKED QUESTIONS<sup>1</sup>

### QFI-Eligibility Conditions

#### 1. Who is Qualified Foreign Investors (QFI)?

Ans. In brief, QFIs shall include individuals, groups or associations, Resident in a country that is a member of Financial Action Task Force (FATF) or a country that is a member of a group which is a member of FATF **and** resident in a country that is a signatory to IOSCO's MMOU (Appendix A Signatories) or a signatory of a bilateral MOU with Securities and Exchange Board of India (SEBI). QFIs do not include FIIs/Sub accounts/ Foreign Venture Capital Investor. The definition of QFI is available at following link:

[http://www.sebi.gov.in/cms/sebi\\_data/attachdocs/1342784172262.pdf](http://www.sebi.gov.in/cms/sebi_data/attachdocs/1342784172262.pdf)

#### 2. Residents of which countries shall be eligible to invest as QFIs?

Ans. Residents of the following countries shall be eligible to invest as QFI as per the definition mentioned in Sr. No. 1 above.

S No.	Name of Country	FATF member	IOSCO MMOU	Bilateral MOU with SEBI
1	AUSTRALIA	YES	YES	NA
2	AUSTRIA	YES	YES	NA
3	BAHRAIN	YES-GCC	YES	NA
4	BELGIUM	YES	YES	NA
5	BRAZIL	YES	YES	NA
6	BULGARIA	YES-EU/EC	YES	NA
7	CANADA	YES	YES	NA
8	CHINA	YES	YES	NA
9	CYPRUS	YES-EU/EC	YES	NA
10	CZECH REPUBLIC	YES-EU/EC	YES	NA
11	DENMARK	YES	YES	NA
12	ESTONIA	YES-EU/EC	YES	NA
13	FINLAND	YES	YES	NA

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<sup>1</sup> **Disclaimer:** The QFI framework has been put in place by SEBI circulars dated August 09, 2011 and January 13, 2012 and subsequent circular on the matter.

These FAQs are prepared with a view to help QFI applicants to get generic understanding of the framework. These FAQs cannot be used in a court of law to interpret any circular, rules, regulations, statutes etc., one way or the other.

While the FAQs are updated as and when the regulatory environment undergo changes, any queries about the same can be addressed to the [www.sebi.gov.in](http://www.sebi.gov.in)

S No.	Name of Country	FATF member	IOSCO MMOU	Bilateral MOU with SEBI
14	FRANCE	YES	YES	NA
15	GERMANY	YES	YES	NA
16	GREECE	YES	YES	NA
17	HONG KONG	YES	YES	NA
18	HUNGARY	YES-EU/EC	YES	NA
19	ICELAND	YES	YES	NA
20	ITALY	YES	YES	NA
21	JAPAN	YES	YES	NA
22	REPUBLIC OF KOREA	YES	YES	NA
23	LITHUANIA	YES-EU/EC	YES	NA
24	LUXEMBOURG	YES	YES	NA
25	MALTA	YES-EU/EC	YES	NA
26	MEXICO	YES	YES	NA
27	NETHERLANDS	YES	YES	NA
28	NEW ZEALAND	YES	YES	NA
29	NORWAY	YES	YES	NA
30	OMAN	YES-GCC	YES	NA
31	POLAND	YES-EU/EC	YES	NA
32	PORTUGAL	YES	YES	NA
33	ROMANIA	YES-EU/EC	YES	NA
34	RUSSIA	YES	NO	YES
35	SAUDI ARABIA	YES-GCC	YES	NA
36	SINGAPORE	YES	YES	NA
37	SLOVAKIA	YES-EU/EC	YES	NA
38	SLOVENIA	YES-EU/EC	YES	NA
39	SOUTH AFRICA	YES	YES	NA
40	SPAIN	YES	YES	NA
41	SWEDEN	YES	YES	NA
42	SWITZERLAND	YES	YES	NA
43	UAE	YES-GCC	NO	YES
44	UNITED KINGDOM	YES	YES	NA
45	UNITED STATES OF AMERICA	YES	YES	NA

The above list has been prepared based on the information as available on websites of FATF and IOSCO as on May 21, 2012. European Commission (EC), an executive body of European Union (EU), is a member of FATF. Hence, EU has been reckoned for the purpose of eligible countries. Please note that this list is subject to change. Therefore, you are requested to access the relevant websites for updated details.

FATF Member link:

<http://www.fatf-gafi.org/pages/aboutus/membersandobservers/#d.en.3147>

IOSCO MMOU Signatories link:

[http://www.iosco.org/library/index.cfm?section=mou\\_siglist](http://www.iosco.org/library/index.cfm?section=mou_siglist)

**3. Can a Non Resident Indians (NRI) make investments by opening a demat account through QFI Route.**

Ans. An NRI cannot make investments simultaneously through the QFI route and portfolio investment scheme (PIS) route. However, a NRI can open demat account as QFI and make investments through this route provided he has closed all his demat account(s) opened as an NRI.

**4. Can the same person/ entity make investments through Foreign Direct Investment (FDI) and QFI routes?**

Ans. Yes. The same person/ entity can make investment through FDI and QFI route. However, where a person invests in a company through both FDI and QFI route, the aggregate holding of such person in the company shall not exceed five percent of paid up equity capital of the company at any point of time. This limit shall be applicable to each class of equity shares having separate and distinct International Securities Identification Number (ISIN). This shall be subject to guidelines on FDI as prescribed by Government of India (GoI) and Reserve Bank of India (RBI) from time to time. For list of ISINs please check the NSDL website. To search company-wise ISINs please click at <https://nsdl.co.in/downloadables/list-codes.php>

**5. Is there any cap on the maximum shareholding limit by QFI?**

Ans. Yes. The total shareholding by a QFI cannot exceed five percent of the paid up equity capital of any company at any point of time. This limit shall be applicable to each class of equity shares having separate and distinct ISIN. Further, the aggregate shareholding of all QFIs shall not exceed ten percent of the paid up equity capital of the company at any point of time, in respect of each equity share class having separate and distinct ISIN.

**6. Who is an Ultimate Beneficial Owner?**

Ans. The ultimate beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement. The definition of Ultimate Beneficial Owner is provided under the SEBI Master circular on anti-money laundering (AML) and combating the financing of terrorism (CFT) AML/CFT. The Qualified Depository Participant (QDP) shall be guided by the SEBI Master circular on AML/CFT as updated by SEBI from time to time. The latest SEBI's Master Circular on AML/CFT is available at following link:  
[http://www.sebi.gov.in/cms/sebi\\_data/attachdocs/1295933371907.pdf](http://www.sebi.gov.in/cms/sebi_data/attachdocs/1295933371907.pdf)

**7. Can the same set of ultimate beneficial owner(s) use multiple routes to channelize investments in Indian equities?**

Ans. No. Except for FDI, the same set of ultimate beneficial owners(s), who intend to make investments through the QFI route, shall not directly or indirectly channelize investments simultaneously into Indian equities using any other available route such as NRI, FII, Sub Account or FVCI.

**8. What is an opaque structure ?**

Ans. Any structure such as Protected Cell Company (PCC), Segregated Cell Company (SPC) or equivalent should be deemed to be opaque structure. While there is no exhaustive list of opaque structures, the qualified DP should be guided by the following principles:

- The details of ultimate beneficial owner(s) should be accessible at all the times. The definition of ultimate beneficial owner is provided under the SEBI Master circular on AML/CFT. The qualified DP shall be guided by the SEBI Master circular on AML/CFT as updated by SEBI from time to time.
- The structure should not ring fence the assets and liabilities of different pools of fund.
- The structure should not ring fence the pools of funds from enforcement.

## **QFI- Investment Opportunities & Options**

**9. What are the permissible transactions allowed for QFI's investing into Indian securities?**

Ans. QFIs can transact only in the following:

- a. Purchase/subscription of mutual fund units through Demat Account mode (Direct Route) and Unit Confirmation Receipt (UCR) [Indirect Route]. For details of Direct Route and Indirect Route, please see the following link: [http://www.sebi.gov.in/cms/sebi\\_data/attachdocs/1312859496065.pdf](http://www.sebi.gov.in/cms/sebi_data/attachdocs/1312859496065.pdf)
- b. Purchase of equity shares in public issues, to be listed on recognised stock exchange(s).
- c. Purchase of listed equity shares through SEBI registered stock brokers, on recognized stock exchanges in India.
- d. Redemption of mutual fund units purchased/subscribed through direct and indirect route
- e. Sale of equity shares which are held in their demat account through SEBI registered stock brokers.
- f. Subscription of equity shares against rights issues.
- g. Receipt of bonus shares or receipt of shares on stock split/ consolidation.
- h. Receipt of equity shares due to amalgamation, demerger or such other corporate actions, subject to the investment limits.
- i. Receipt of dividends and interest payments.
- j. Tender equity shares in open offer in accordance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- k. Tender equity shares in open offer in accordance with SEBI (Delisting of Equity Shares) Regulations, 2009.
- l. Tender equity shares in case of buy-back by listed companies in accordance with SEBI (Buyback of Securities) Regulations, 1998
- m. Purchase and sale of corporate debt securities listed on recognized stock exchange(s);

- n. Purchase of corporate debt securities through public issues, if the listing on recognized stock exchange(s) is committed to be done as per the extant provisions of the Companies Act, 1956;
- o. Sale of corporate debt securities by way of buyback or redemption by the issuer;
- p. Purchase and sale of units of debt schemes of Indian mutual funds.

**10. What are the different ways in which QFI can invest in Mutual Fund units?**

Ans. As stated in point (a) of Question No. 9 above, QFI has two different options for investing in MF units:

- a. Demat mode – Direct route
- b. Unit Confirmation Receipt (UCR) – Indirect route

**11. How does QFI invest in MF under Direct route?**

Ans. QFI has to first remit the funds to its single non-interest bearing rupee account and then place the order through the QDP by providing details of the investment. The details are available at:

[http://www.sebi.gov.in/cms/sebi\\_data/attachdocs/1312859496065.pdf](http://www.sebi.gov.in/cms/sebi_data/attachdocs/1312859496065.pdf)

**12. How does QFI redeem his Mutual Fund units?**

Ans. QFI has to place his redemption request with the QDP, who in turn will place it with the respective Mutual Fund. The details are available at:

[http://www.sebi.gov.in/cms/sebi\\_data/attachdocs/1312859496065.pdf](http://www.sebi.gov.in/cms/sebi_data/attachdocs/1312859496065.pdf)

**13. Can QFI transfer the MF units?**

Ans. No. Investment in MF units are non-transferable and non-tradeable. They can, however, be redeemed. The details are available at:

[http://www.sebi.gov.in/cms/sebi\\_data/attachdocs/1312859496065.pdf](http://www.sebi.gov.in/cms/sebi_data/attachdocs/1312859496065.pdf)

**14. Can QFI pledge MF units / UCR?**

Ans. No.

**15. Can QFI Switch his investments between schemes of the same AMC?**

Ans. No.

**16. Can QFI subscribe to Systematic Investment/Transfer/Withdrawal plans as they are available to Indians?**

Ans. No.

**17. Can QFIs open bank account in India?**

Ans. Yes. A QFI may open a single non-interest bearing Rupee account with an AD Category –I bank in India subject to terms and conditions specified under FEMA, 1999 from time to time. The QDP shall operate this single non-interest bearing Rupee account for all investments made by QFI in India.

**18. Should QFIs remit funds before making purchase?**

Ans. Yes. Funds should be received in the single non-interest bearing rupee account of the QFI before execution of the purchase order. The transactions by QFI are required to be pre-funded.

**19. Is a QFI required to repatriate the funds lying in its non-interest bearing Rupee Account within a stipulated time?**

Ans. No. A QFI is not required to repatriate the funds lying in its non-interest bearing Rupee Account within any stipulated time.

**20. Is there any restriction on QFI to open more than one demat account?**

Ans. Yes. At any point of time a QFI can open only one demat account with any of the qualified DPs. Further, purchase and sale of all eligible securities should be transacted through that demat account only.

**21. Is there any restriction on QFI to open more than one trading account?**

Ans. No. A QFI can open trading account with more than one stock broker. However, all the transactions of the QFI need to be routed through its qualified DP.

**22. What will be the relationship between the QFI and his stock broker?**

Ans. The QFI and his stock broker shall share the client broker relationship. For this purpose, the QFI shall fulfill the requisite formalities, as prescribed, from time to time.

**23. Can a QFI directly interact with a stock broker?**

Ans. Yes. A QFI can directly interact with a stock broker provided the stock broker itself is the qualified DP or the stock broker has an arrangement with qualified DP for order routing, execution, confirmation, and reporting of trades.

**24. Can a QFI directly place order with a stock broker ?**

Ans. No. A QFI cannot directly place order with a stock broker. The purchase/sale orders have to be placed with the qualified DP as provided under circular CIR/IMD/FII&C/3/2012 dated January 13, 2012.

**25. Is there any restriction on minimum volume of investment by QFI?**

Ans. No. There is no restriction on the minimum volume of investment to be made by QFIs.

**26. Is the investment through the QFI route freely repatriable?**

Ans. Yes. The investment made through the QFI route is freely repatriable, subject payment of applicable taxes.

**27. Is it necessary for QFIs to appoint a local custodian in India?**

Ans. QFIs are not mandated to appoint local custodian in India. However, in case a QFI wishes to appoint a custodian he may do so. A custodian of securities, if so appointed by QFI would be obligated to perform clearing and settlement of securities on behalf of the QFI client. However, no person shall be appointed as custodian by the QFI unless it is itself the qualified DP of the QFI and is also registered as custodian with SEBI under SEBI (Custodian of Securities) Regulations, 1996.

**28. Can the transaction details be modified by QFI?**

Ans. Yes. The transaction details can be modified by QFI before the execution of such transaction. For this purpose, the QFI shall communicate the desired modification to the qualified DP, who, in turn, after his due diligence, will forward the same to broker.

**29. Can QFIs change their designated overseas bank account?**

Ans. Yes. QFIs can change their overseas designated bank account. However, at any given point of time, there can be only one designated overseas bank account of the QFI through which funds are transferred to the Individual bank account of QFI in India.

**30. Is there any minimum lock-in period for investment made by QFI?**

Ans. No. There is no minimum lock-in period for investment made by QFI.

**31. Can QFIs issue Offshore Derivative Instruments (ODI) or Participatory Notes (PNs)?**

Ans. No. QFIs cannot issue Offshore Derivative Instruments or Participatory Notes.

**32. Will QFIs be categorized as Qualified Institution Buyers (QIB) in a public offer?**

Ans. No. The QFIs will be treated at par with the Indian Non-Institutional investors for the purpose of public offer of equity shares.

**33. Can QFIs invest through overseas pool accounts maintained with global custodians/ banks/ brokers ?**

Ans. No, each and every QFI who intends to make investments as a QFI needs to open a separate demat account and follow the framework as provided in the circular dated January 13, 2012 and subsequent circulars on the subject. QFIs cannot invest through overseas pooled accounts or omnibus accounts maintained with global custodians/ banks/ brokers. The circular is available at: [http://www.sebi.gov.in/cms/sebi\\_data/attachdocs/1326453304731.pdf](http://www.sebi.gov.in/cms/sebi_data/attachdocs/1326453304731.pdf)

**34. Can QFIs engage in borrowing or lending of funds or securities?**

Ans. No. QFIs cannot engage in borrowing or lending of funds or securities.

**35. Whether QFIs are allowed to do off market securities transfer?**

Ans. No. QFIs cannot transfer securities off market. However, while changing the qualified DP, a QFI may transfer his securities from his demat account maintained with transferor qualified DP to the transferee qualified DP.

**36. What is QFIs responsibility with respect to Indian laws, rules and regulations?**

Ans. QFIs shall, in relation to his activities as QFIs, at all times, subject themselves to the extant Indian laws, rules, regulations, circulars etc. issued from time to time. An express undertaking to this effect shall be obtained by qualified DP from the QFI.

Further, the QFI shall, as and when required by the Government, SEBI or any other regulatory agency in India, submit to that agency, as the case may be, any

information, record or documents in relation to his activities as QFI. QFI has to give an express undertaking to this effect to the qualified DP.

## QFI Registration Process, Procedures & Documentation

**37. How does an eligible person initiate the process to make investment through QFI route?**

Ans. An eligible person intending to make investment through QFI route may contact any of the qualified DP registered with SEBI. The qualified DPs are mandated to perform the prescribed KYC and ensure fulfilment of the requisite conditions before allowing the applicant to open a demat account as QFI.

**38. Is there any list of qualified DPs available?**

Ans. The list of qualified DPs is available on SEBI website at the following link:  
<http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries>

**39. What are the requirements for ongoing KYC of QFIs?**

Ans. Every QFI shall undergo the same KYC procedure on an ongoing basis, as is applicable for Indian investors, in the manner as prescribed by SEBI and RBI, from time to time as well as extant guidelines on KYC procedures for single non-interest bearing Rupee account opened with AD Category-I bank in India.

**40. What documents are required to be submitted for KYC?**

Ans. Following is the list of document to be submitted by a QFI for KYC as prescribed by SEBI vide circulars CIR/MIRSD/16/2011 dated August 22, 2011 and MIRSD/SE/Cir-21/2011 dated October 05, 2011:

Sr. No.	For QFIs who are individuals	For QFIs who are non-individuals		
		Corporate	Partnership firm	Trust
1	<a href="#">Form 49 AA</a> of the Individual.	<a href="#">Form 49 AA</a> of the company, whole time directors/ two directors in charge of day to day operations, individual promoters holding control - either directly or indirectly	<a href="#">Form 49 AA</a> of the partnership firm and partners	<a href="#">Form 49 AA</a> of the trust and trustees
2	Passport/ Person of Indian Origin (PIO) Card/ Overseas Citizen of	Passport of whole time	Passport of the partners	Passport of the trustees



	India (OCI) Card whichever applicable	directors/ two directors in charge of day to day operations		
3	Photograph	Photograph of whole time directors/ two directors in charge of day to day operations, individual promoters holding control - either directly or indirectly	Photograph of the partners	Photograph of the trustees
4	<p><b>Proof of Identity (POI)</b> (any one of the following documents):</p> <ul style="list-style-type: none"> <li>• Passport</li> <li>• Driving License</li> <li>• PAN card with photograph</li> <li>• Identity card/ document with applicant's Photo, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities, Professional Bodies such as Institute of Cost Accountants of India (ICAI) , Institute of Cost and Works Accountants of India (ICWAI), Institute of Company Secretaries of India (ICSI), Bar Council etc., to their Members; and</li> <li>• Credit cards/ Debit cards issued by Banks</li> </ul>	POI of the company, whole time directors/ two directors in charge of day to day operations, individual promoters holding control - either directly or indirectly	POI of the partnership firm and partners	POI of the trust and trustees
5	<p><b>Proof of Address (POA)</b> (any one of the following):</p> <ul style="list-style-type: none"> <li>• Passport</li> <li>• Voters Identity Card</li> <li>• Registered Lease or Sale</li> </ul>	POA of the company, whole time directors/ two directors in charge of day to	POA of the partnership firm and partners	POA of the trust and trustees

	<p>Agreement of Residence</p> <ul style="list-style-type: none"> <li>• Driving License</li> <li>• Flat Maintenance Bill</li> <li>• Insurance Copy</li> <li>• Utility bills like Telephone Bill (only land line), Electricity bill or Gas bill not more than 3 months old</li> <li>• Bank account statement/ passbook not more than 3 months old</li> <li>• Proof of address issued by any of the following:- Bank Managers of Scheduled Commercial Banks/ Scheduled Co-operative Bank/ Multinational Foreign Banks/ Gazetted Officer/ Notary Public/ Elected representatives to the Legislative Assembly/ Parliament/ Documents issued by any Govt. or Statutory Authority.</li> <li>• Identity card/document with address, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities and Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members.</li> </ul>	<p>day operations, individual promoters holding control - either directly or indirectly</p>		
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Copies of all the documents submitted by the applicant should be self-attested and accompanied by originals for verification. In case the original of any document is not produced for verification, then the copies should be duly attested by entities authorized for attesting the documents.

Following documents shall be submitted by non individuals in addition to the above-mentioned documents:

<b>Corporate</b>	<b>Partnership Firm</b>	<b>Trust</b>
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<ul style="list-style-type: none"> <li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> <li>• Copy of latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI Takeover Regulations, duly certified by the company secretary/Whole time director/ MD (to be submitted every year)</li> <li>• Copies of the Memorandum and Articles of Association and certificate of incorporation.</li> <li>• Copy of the Board Resolution for investment in securities market.</li> <li>• Authorised signatories list with specimen signatures.</li> </ul>	<ul style="list-style-type: none"> <li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> <li>• Certificate of registration (for registered partnership firms only).</li> <li>• Copy of partnership deed.</li> <li>• Authorised signatories list with specimen signatures.</li> </ul>	<ul style="list-style-type: none"> <li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> <li>• Certificate of registration (for registered trust only).</li> <li>• Copy of Trust deed.</li> <li>• List of trustees certified by managing trustees/CA.</li> </ul>
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**41. Who can attest the documents which are submitted for KYC?**

Ans. Originals of all the documents submitted for KYC shall be submitted along with the copies for verification. If a original is not submitted then the copy has to be attested by any one of the following:

- Notary Public, Gazetted Officer, Manager of a Scheduled Commercial/ Co-operative Bank or Multinational Foreign Banks (Name, Designation, & Seal should be affixed on the copy)
- In case of NRIs/QFIs,, Notary Public, Court Magistrate, Judge, authorized officials of overseas branches of Scheduled Commercial Banks registered in India, Indian Embassy/ Consulate General in the country where the client resides. [The "scheduled bank" means a bank included in the Second Schedule of the Reserve Bank of India Act 1934 which also includes some foreign banks. The detailed list is at : [http://rbidocs.rbi.org.in/rdocs/Publications/PDFs/RBIAM\\_230609.pdf](http://rbidocs.rbi.org.in/rdocs/Publications/PDFs/RBIAM_230609.pdf)]

**42. Does a QFI required to undergo "In Person Verification"?**

Ans. "In Person Verification" is required in case of individual QFI investors as applicable for non-resident clients.

In case of non-resident clients including QFIs, employees at the stock broker's local office, overseas can do in-person' verification. Further, considering the infeasibility of carrying out 'In-person' verification of the non-resident clients by the stock broker's staff, attestation of KYC documents by Notary Public, Court, Magistrate, Judge, authorized officials of overseas branches of Scheduled Commercial Banks registered in India, Indian Embassy / Consulate General in the country where the client resides may be permitted.

## **Role and Responsibilities of Qualified DPs**

**43. Are qualified DPs required to comply with laws, rules and regulations of all jurisdictions where they carry out their operations?**

Ans. The qualified DPs are required to comply with the extant laws, rules and regulations of jurisdictions where they carry out their operations in the capacity of qualified DP, such as solicitation of investments.

**44. What action can a qualified DP take in case a QFI does not comply or violates guidelines/declaration/circulars?**

Ans. In case of any violations by QFI a qualified DP is obliged to bring such instances to the notice of concerned depository and SEBI.

**45. How does the qualified DP ensure protection of his other clients?**

Ans. The qualified DP shall not perform any acts or deeds with regard to QFI that puts any of his other client(s) at an disadvantageous position. The qualified DP shall deal with its QFI clients in a fair and impartial manner.

**46. What declarations/undertakings are to be obtained from QFI by a qualified DP?**

Ans. The qualified DP shall obtain appropriate declarations/undertakings as prescribed by depositories from time to time.

**47. What is the format for reporting of QFI holdings by a qualified DP to the depositories ?**

Ans. The qualified DP shall report QFI holdings in the format prescribed by the depositories from time to time.

**48. Whether the pre trade limit of QFI is monitored by qualified DP?**

Ans. Yes. The qualified DP will route the order to the broker only after checking applicable limits.