

Annexure-A
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ITEM No.1: MEMBERSHIP ELIGIBILITY REQUIREMENTS

1. Membership of the Exchange/ NSE Clearing is open to corporate entities, limited liability partnerships, registered partnership firms and individuals who fulfil the eligibility criteria laid down by SEBI and NSE

Eligibility

The following persons shall be eligible to become trading members of the Exchange:

- a) Individuals (Sole Proprietor).
- b) Partnership firms registered under the Indian Partnership Act, 1932.
- c) Limited Liability Partnership as defined in the Limited Liability Partnership Act, 2008.
- d) Bodies corporate including Banks
- e) Such other persons or entities as may be permitted under the Securities Contracts (Regulation) Rules, 1957 as amended from time to time.

i. Individuals (Sole Proprietor)

The individual (Sole Proprietor) applicant shall be required to meet the following requirements:

Particulars	Requirement
Status	Indian Citizen
Age	Minimum age of 21 years
Education	At least HSC or equivalent qualification
Experience	Applicant should have a 2 years' experience in an activity related to dealing in securities or as portfolio manager or as investment consultant or as a merchant banker or in financial services or treasury, broker, authorised person or authorised representative or remisier or apprentice to a member of a recognised stock exchange, dealer, jobber, market maker, investor/client or in any other manner in dealing in securities or clearing and settlement thereof.

ii. Partnership firms registered under the Indian Partnership Act, 1932.

Where the applicant is a partnership firm, the applicant shall be required to meet the following requirements:

- a) No trading member shall, at the same time, be a partner in more than one partnership firm which is a trading member of the Exchange.
- b) No trading member who is a partner in any partnership firm shall assign or in any way encumber his interest in such partnership firm.

Additional Requirements

Particulars	Requirement
Status	Registered Partnership firm under Indian Partnership Act, 1932
Designated Partners	At least two partners to be identified as designated partners who would be taking care of the day-to-day management of the partnership
Age of the Designated Partners	Minimum age of 21 years
Education of the Designated Partners	At least HSC or equivalent qualification
Experience of the Designated Partners	The designated partners should have a 2 years' experience in an activity related to dealing in securities or as portfolio manager or as investment consultant or as a merchant banker or in financial services or treasury, broker, authorised person or authorised representative or remisier or apprentice to a member of a recognised stock exchange, dealer, jobber, market maker, investor/client or in any other manner in dealing in securities or clearing and settlement thereof.

iii. Limited Liability Partnership as defined in the Limited Liability Partnership Act, 2008.

Where the applicant is a partnership firm, the applicant shall be required to meet the following requirements:

- a) such "limited liability partnership" undertakes to comply with such financial requirements and norms as may be provided by the Securities and Exchange Board of India for

registration of such limited liability partnerships under sub-section (1) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992).

- b) the designate partners of the 'limited liability partnership' are not disqualified from being members of a stock exchange under sub-rule (1) [except clause (b) and (f) thereof] or sub-rule (3) [except clause (a) & clause (f) of Rule 8 of the Securities Contracts (Regulation) Rules, 1957 {SCRR} and the designated partners of the 'limited liability partnership' had not held the offices of Directors in any company or body corporate or partner in any firm or 'limited liability partnership', which had been a member of the stock exchange and had been declared defaulter or expelled by the stock exchange.
- c) Any other eligibility norms as may be specified under SCRR.

Additional Requirements

Particulars	Requirement
Status	Registered under Limited Liability Partnership act, 2008
Designated Partners	At least two partners to be identified as designated partners who would be taking care of the day-to-day management of the partnership
Age of the Designated Partners	Minimum age of 21 years
Education of the Designated Partners	At least HSC or equivalent qualification
Experience of the Designated Partners	The designated partners should have a 2 years' experience in an activity related to dealing in securities or as portfolio manager or as investment consultant or as a merchant banker or in financial services or treasury, broker, authorised person or authorised representative or remisier or apprentice to a member of a recognised stock exchange, dealer, jobber, market maker, investor/client/ or in any other manner in dealing in securities or clearing and settlement thereof.

iv. Bodies corporate

Where the applicant is a body corporate, the applicant shall be required to meet the following requirements:

- a) such company is formed in compliance with the relevant provisions of the Companies Act, 2013 (as may be amended from time to time).
- b) a majority of the directors of such company are shareholders of such company and also members of that stock exchange; and
- c) the directors of such company, who are members of that stock exchange, have ultimate liability in such company.
- d) such company undertakes to comply with such financial requirements and norms as may be specified by the Securities and Exchange Board of India for the registration of such company under sub-section (1) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);
- e) the directors of the company are not disqualified from being members of a stock exchange under 19 [clause (1) [except sub-clause (b) and sub-clause (f) thereof] or clause (3) [except sub-clause (a) and sub-clause (f) thereof]] and the Directors of the company had not held the offices of the Directors in any company which had been a member of the stock exchange and had been declared defaulter or expelled by the stock exchange; and
- f) Any other eligibility norms as may be specified under SCRR of by SEBI/Exchange from time to time.

Additional Requirements

Particulars	Requirement
Status	Corporate registered under The Companies Act, 2013
Minimum Paid up Equity Capital	Rs. 30 lakhs
Designated Directors	At least two Directors to be identified as Designated Directors who would be taking care of the day-to-day management of the corporate.
Age of the Designated Directors	Minimum age of 21 years
Education of the Designated Directors	At least HSC or equivalent qualification
Experience of the Designated Directors	The designated Directors should have a 2 years' experience in an activity related to dealing in securities or as portfolio manager or

	as investment consultant or as a merchant banker or in financial services or treasury, broker, authorised person or authorised representative or remisier or apprentice to a member of a recognised stock exchange, dealer, jobber, market maker, investor/client or in any other manner in dealing in securities or clearing and settlement thereof.
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The eligibility membership criteria for banks in the Currency Derivatives segment is as follows:

- a) Banks authorized by the Reserve Bank of India under section 10 of the Foreign Exchange Management Act, 1999 as AD Category - I bank are permitted to become trading and clearing members of the currency futures market of the recognized stock exchanges, on their own account and on behalf of their clients, subject to fulfilling the following minimum prudential requirements (Ref RBI Circular RBI/2008-09/123 DBOD.No.FSD.BC. 29 /24.01.001/2008-09 dated August 6, 2008):
 - Minimum net worth of ₹ 500 crores.
 - Minimum CRAR of 10 per cent.
 - Net NPA should not exceed 3 per cent.
 - Made net profit for last 3 years.
- b) The AD Category - I banks which fulfill the prudential requirements are required to lay down detailed guidelines with the approval of their Boards for trading and clearing of currency futures contracts and management of risks.
- c) AD Category - I banks which do not meet the above minimum prudential requirements and AD Category - I banks which are Urban Co-operative banks or State Co-operative banks can participate in the currency futures market only as clients, subject to approval therefore from the respective regulatory Departments of the Reserve Bank.

2. OTHER ELIGIBILITY NORMS

- I. Rule 8 (1) (f) of Securities Contracts (Regulation) (Amendment) Rules, 1957 (SCRR) prescribes the following qualifications for admission of members of a Stock Exchange
 - a) No person shall be eligible to be elected as a member if—
 - i. he is less than twenty-one years of age.
 - ii. he is not a citizen of India; provided that the governing body may in suitable cases relax this condition with the prior approval of SEBI

- iii. he has been adjudged bankrupt or a receiving order in bankruptcy has been made against him or he has been proved to be insolvent even though he has obtained his final discharge.
 - iv. he has compounded with his creditors unless he has paid sixteen annas in the rupee.
 - v. he has been convicted of an offence involving fraud or dishonesty.
 - vi. he is engaged as principal or employee in any business other than that of securities [or commodity derivatives] except as a broker or agent not involving any personal financial liability unless he undertakes on admission to sever his connection with such business (Exceptions provided in clauses (a) to (n) Rule 8 (8) of SCRR)
- II. Rule 5 of Chapter III of NSEIL Rules further stipulates that no person shall be admitted as a trading member of the Exchange if such proposed member:
- i. has been at any time expelled or declared a defaulter by any Stock Exchange/Regulator.
 - ii. has been previously refused admission to membership unless the period of one year has elapsed since the date of rejection.
 - iii. has compounded with his creditors for less than full discharge of debts.
 - iv. is a body corporate who has committed any act which renders the person liable to be wound up under the provisions of the law.
 - v. is a body corporate who has had a provisional liquidator or receiver, or official liquidator appointed to the person.
 - vi. incurs such disqualification under the provisions of the Securities Contracts (Regulation) Act, 1956 or Rules made thereunder as disentitles such person from seeking membership of a stock exchange.
- III. As per Regulation 9 of SEBI (Stockbroker) Regulations, 1992, registration shall be granted by SEBI under regulation 6 shall be subject to the following conditions,
- a) the stockbroker holds the membership of any Stock Exchange.
 - b) he shall abide by the rules, regulations and bye-laws of the stock exchange which are applicable to him;
 - c) where the stock broker proposes change in control, he shall obtain prior approval of the Board for continuing to act as such after the change;
 - d) he shall pay fees charged by the Board in the manner provided in these regulations.
 - e) he shall take adequate steps for redressal of grievances, of the investors within one month of the date of receipt of the complaint and inform the Board as and when required by the Board;
 - f) he shall at all times abide by the Code of Conduct as specified in Schedule II; and
 - g) he shall at all times maintain the minimum networth as specified in Schedule VI.

- h) Every stock-broker who act as an underwriter shall enter into a valid agreement with the body corporate on whose behalf it is acting as underwriter and shall abide by the regulations made under the Act in respect of the activities carried on by it as underwriter.
- i) Every Stock-broker shall be entitled to act as an underwriter only out of its own net worth/funds as may be prescribed from time to time.]

IV. Other requirements

- i. No person shall be eligible to be admitted to the trading membership of the Exchange unless he has passed the relevant Certification Programme as it may prescribed from time to time by SEBI/Exchange.
- ii. Each Trading Member shall at all times maintain such infrastructure, staff, communication facilities and records so as to be able to service his constituents satisfactorily and as per the requirements enumerated in the Exchange Byelaws, Rules and Regulations or any other relevant Act(s) in force for the time being.

3. ADMISSION PROCESS

- i. Any person desirous of becoming a trading member shall apply to the Exchange for admission to the trading membership of the relevant trading segment of the Exchange. Every applicant shall be dealt with by the relevant authority who shall be entitled to admit or reject such applications at its discretion.
- ii. The application shall be made in such formats as may be specified by the relevant authority from time to time for application for admission of trading members to each trading segment.
- iii. The application shall have to be submitted along with such fees, security deposit and other monies in such form and in such manner as may be specified by the relevant authority from time to time.
- iv. The applicant shall have to furnish such declarations as may be specified from time to time by the relevant authority.
- v. The relevant authority shall have the right to call upon the applicant to pay such fees or deposit such additional security in cash or kind, to furnish any additional guarantee or to require the deposit of any building fund, computerization fund, training fund or fee as the relevant authority may prescribe from time to time.
- vi. The relevant authority may admit the applicant to the trading membership of the Exchange provided that the person satisfies the eligibility conditions and other procedures and requirements of admission. The relevant authority may at its absolute discretion reject any application for admission without communicating the reason thereof.
- vii. If for any reason the application is rejected, the admission fee shall be refunded to the applicant, without any interest.
- viii. The relevant authority may at any time from the date of admission to the trading membership of the Exchange cancel the admission and expel a trading member if he has in or at the time of his application for admission to membership or during the course of the inquiry made by the relevant authority preceding his admission:
 - a) made any wilful misrepresentation; or
 - b) suppressed any material information required of him as to his character and antecedents; or
 - c) has directly or indirectly given false particulars or information or made a false declaration.
- ix. When a person is admitted to the trading membership of the Exchange, intimation of the person's admission shall be sent to the person and to the Securities and Exchange Board of India. If the person admitted to the membership of the Exchange and after intimation of his admission is duly sent, does not become a member by complying with acts and

procedures for exercising the privileges of membership as may be prescribed by the relevant authority within a specified time period from the date of despatch of the intimation of admission, the admission fee paid by him shall be forfeited by the Exchange.

- x. A trading member shall nominate one or more of his successor(s) as per the applicable succession laws. If the trading member has no successor(s) willing to carry on the trading membership, then, the trading member may nominate person(s) other than his successor(s).
- xi. If the trading member has not nominated any person and is rendered incompetent to carry on his business on the Exchange on account of physical disability, then the trading member may, within a period of six months, make a nomination
- xii. If the trading member has not nominated any person, the successor(s) of the trading member may nominate one or more persons from among themselves within six months from the date of the death of the trading member.
- xiii. If more than one person(s) are nominated by the trading member or the successor(s), then such nominated person(s) shall be required to form a company to carry on the trading membership;
- xiv. A nomination made by a trading member or successor(s) may be revoked with the prior written approval of the relevant authority and subject to such terms and conditions as the relevant authority may prescribe from time to time. No such revocation shall be permitted after the nomination becomes effective.
- xv. The nomination shall become effective in the case of a nomination made by a trading member, from the date of his death or physical disability or from the date of approval by the relevant authority, whichever is later and in the case of a nomination made by successor(s), from the date on which such nomination is made or from the date of approval by the relevant authority, whichever is later.
- xvi. The relevant authority may, after levying such transfer fees, as may be prescribed from time to time, permit the transfer of Membership in the following circumstances:
 - (a) Death of a trading member.
 - (b) If in the opinion of the relevant authority, the trading member is rendered incompetent to carry on his business on the Exchange on account of physical disability.
 - (c) Upon amalgamation or merger of a trading member company.
 - (d) Upon takeover of a trading member company; and
 - (e) Upon the death of or resignation or notice of dissolution by a partner of a trading member firm, and re-alignment, if any, by the partners in such firm or by the partners in such firm and the nominee(s)/successor(s) of the outgoing partner or by the partners in such firm and person(s) other than the nominee(s)/successor(s) of the outgoing partner in a new firm, within a period of six months from the date of such death or resignation or notice of dissolution.

4. TERMINATION OF MEMBERSHIP

As per Rule 29 of Chapter III of NSEIL Rules, any trading member may cease to be a member, if one or more apply:

- a) by resignation.
- b) by death
- c) by expulsion in accordance with the provisions contained in the Bye Laws, Rules and Regulations.
- d) by being declared a defaulter in accordance with the Bye Laws, Rules and Regulations of the Exchange.
- e) by dissolution in case of partnership firm.
- f) by winding up or dissolution of such company in case of a limited company.

5. SURRENDER OF MEMBERSHIP

5.1. A Trading Member desirous of surrendering its membership of the Exchange shall submit its request through ENIT

5.2. Trading Members shall, before submission of an application for surrender of membership, be required to comply with all the Pre-requisites for application of surrender as given below:

- i. **Cancellation of Authorised person:** All authorized persons affiliated to the surrendering trading member should either cancel their registration or change their affiliation to any other trading member.
- ii. **Surrender of all connectivity:** VSATs and leased lines connectivity at all the offices of the surrendering trading members should be surrendered prior to submission of the application for surrender of trading membership. In cases where the VSAT is used by the trading member for NSDL operations, such VSATs would have to be surrendered prior to submission of the application for surrender of trading membership. The Trading member may apply VSAT in the name of NSDL if they wish to continue their operations with NSDL.
- iii. **Clearance of all dues:** The member is required to clear all the dues towards NSEIL and NSE Clearing Limited ("NCL") as well as the obligations in respect of Arbitration awards, investor complaints, etc. However, this provision would not be applicable to members who have applied for surrender as a result of their disablement due to non-compliance of capital adequacy requirements for continued admittance to the trading membership of the Exchange for more than 12 months from the date of disablement.

- iv. **Clearance of all pending complaints and liability/dues towards clients** – The member shall ensure that there are no complaints / arbitration / disciplinary proceedings pending against them (including previous names, if any) and their whole time/designated directors/ shareholders/ partners/sole proprietor. Further there is no liability in any form against any of their clients. All accounts of the clients should be settled and there are no payables (funds & securities) to the clients. In case any future liability arises, member shall undertake to settle the same.
- 5.3. Exchange shall have absolute discretion in dealing with and may impose additional terms and conditions as it may deem fit with respect to surrender applications from a Trading Member: -
- i. who has been suspended/ disciplinary action taken by the Exchange /SEBI,
 - ii. in respect of whom any investigation/ action consequent to a default has been initiated by the Exchange /SEBI,
 - iii. who is falling within the category of “associates” as defined by SEBI,
 - iv. who owes dues to the Exchange/ NCL,
 - v. against whom claims by investors of value of Rs.10 lakhs or more are pending or any claim for any amount is pending for a period more than 6 months,
 - vi. against whom any other claim /complaint is pending which, in the opinion of the Exchange/ NCL, needs to be resolved by the concerned trading member,
 - vii. whose turnover fees liability to SEBI is still outstanding,
- 5.4. An application for surrender shall not be allowed to be withdrawn unless permitted by the Exchange at its discretion. However, once the request for surrender of trading membership is approved, whether communicated to the trading member or not, no withdrawal of surrender application will be permitted.
- 5.5. No trading member, who has surrendered its trading membership, their partners (in case of partnership firm) and/ or dominant shareholders (in case of corporates) shall be eligible to be readmitted to the Trading Membership of the Exchange in any form for a period of one year from the date of cessation of trading membership (i.e. from the date of approval of surrender).
- 5.6. The application of surrender of trading membership is subject to fulfilment of the following conditions: -
- i. Submission of original SEBI registration certificate(s) on all segments on which the trading member is registered, in case member is registered only with NSE.
 - ii. Submission of computation chart of turnover fee liability payable to SEBI in and proof of payment made to SEBI. As per the requirements of SEBI, trading members opting to surrender their trading membership shall have paid the SEBI fees before the application could be accepted by the Exchange.

- iii. Submission of an undertaking/ declaration that no investigation/Enquiry/Disciplinary action pending against the trading member or any of its shareholders/ directors
- iv. Submission of details of Directors and shareholders as on date of surrender application.
- v. Surrender of registration as a Depository Participant, if any.
- vi. Submission of declaration that the Member or its Associates, Directors/Partners are not declared as defaulter by any other Exchanges and there are no pending complaints/ongoing investigation or disciplinary proceedings.

5.7. Penal charges, the interest on dues and late submission charges to the Exchange and/ or NCL in respect of such trading member shall be levied up to and including the date on which such dues/ interest/ charges are paid remitted to or appropriated /adjusted by the Exchange / NCL.

5.8. In case, a Trading Member desires to withdraw the application for surrender and the Exchange in its discretion approves the same in writing, the application and levy of annual subscription, interest and penal charges shall be as if the Trading Member had not applied for the surrender of trading membership. All the costs related to the installation of new VSAT(s) will also be borne by the concerned Trading Member.

5.9. A notice to public by way of a public notification in newspapers shall be made by the Exchange. The cost of public notification shall be incurred by the surrendering trading member at actuals. The time period (from the date of public notification) given to investors, public, etc. to lodge claims against the surrendering trading member will be as follows:

Trading Member Category	Duration of Public Notification
Trading members whose applications are with SEBI for registration, are SEBI registered but not enabled, enabled but have not traded at all	No public notification
Trading members who have traded during last 12 months preceding the date of receipt of surrender application	2 months
Trading members who have not traded during last 12 months preceding the date of receipt of surrender application	1 month
Trading members who have not traded during last 24 months preceding the date of receipt of surrender application or not enabled members.	15 days

5.10. Details shall be sought from SEBI w.r.t the pending dues, if any, from member.

- 5.11. On the expiry of period for receipt of investor claims and on receipt of intimation of dues amount, if any, from SEBI, the total amount payable by the member shall be appropriated against Trading Member's deposits available with the Exchange / NCL and the Trading member will be intimated accordingly. In case the amount payable exceeds the deposits, the trading Member would be intimated to bring in the requisite amount within 21 days of intimation. Upon the failure of the member to do so within 21 days of intimation, the case shall be referred to the relevant authority for further action.
- 5.12. Upon the application for surrender being approved, the Exchange shall notify to all the Trading Members the fact of such approval. The concerned Trading Member, whose application has been approved, shall also be accordingly informed and also intimated of the terms and conditions subject to which their surrender has been approved.
- 5.13. The interest free security deposits lying with Exchange/Clearing Corporation shall be refunded to the members as per the provisions stipulated in SEBI circular SEBI/HO/MIRSD/FCR/CIR/P/2021/01 dated January 06, 2021, which is reproduced as under:
- A. On approval of application for surrender of Trading Member's registration by SEBI, the Exchange shall release Security Deposit of the Trading Member (engaged in trading on behalf of clients) after the period mentioned at point a) or b), whichever is earlier: -
- (a) Three years from the date of receipt of surrender application by Exchange from the Trading Member (in order to meet any investor claims), or
- (b) Five years from the date of disablement of Trading Member's trading terminals by the Exchange.
- B. On approval of application for surrender of Trading Member's registration by SEBI, the Exchange shall release Security Deposit of the Trading Member (engaged only in proprietary trading in last three years prior to the date of application) after the period mentioned at point a) or b), whichever is earlier:
- (a) one year from the date of receipt of surrender application by exchange from the Trading Member, or
- (b) three years from the date of disablement of Trading Member's trading terminals by the Exchange.
- 5.14. Upon acceptance/ approval of surrender of trading membership as aforesaid, the concerned Trading Members shall not be entitled to any rights or privileges accorded

under the Bye-Laws, Rules and Regulations of the Exchange/ NCL, but shall continue to be liable to meet their liabilities / obligations under the Bye-Laws, Rules and Regulations of the Exchange/NCL.

- 5.15. A Trading Member, whose public notification has been issued, has an option to seek substitution of the interest-free security deposits, details of which are as follows:

Cash component of IFSD may be substituted with the FDRs.

- i. Under this scheme, the Trading Members' IFSD would be converted to FDRs with the clearing bank of the surrendering Trading Member in multiples of 5 FDRs of ₹ 1 lakh, 1 FDR of ₹ 5 lakhs and 1 FDR for the remaining amount of deposits, with the minimum retention of at least ₹ 1 lakh in cash with the Exchange/NSE Clearing after fulfilment of all dues under Rules/Regulations/Bye-Laws of the Exchange/NSE Clearing and circulars issued there under, including arbitration awards and valid investors/other grievances/claims against them. The duration of the FDRs would be as per written request of the Member.
 - ii. Trading members desirous of availing the said facility are required to submit their request along with their application for surrender.
 - iii. A minimum deposit component of ₹ 1 Lakhs in cash form will be retained by the Exchange/ NSE Clearing in order to meet any dues / obligations falling due immediately.
- 5.16. Refund of any part component of the deposits is subject to the Trading Member:
- i. Making payment to SEBI of all the turnover fees, interest payable thereon etc. as may be applicable to such trading members in respect of all the segments they have been admitted to.
 - ii. Obtaining confirmation of cancellation of registration from SEBI.
 - iii. Redressing, to the satisfaction of the Exchange, all investors' complaints and other grievances pending against the trading member.
 - iv. Making, in respect of arbitration proceedings, suitable arrangements to the satisfaction of the Exchange so as to meet any obligation that may arise out of awards that may be made against them.
- 5.17. The release/ refund of any component/ portion of a trading member's IFSD or any other monies owing to a surrendering trading member shall be made through the Trading Member's account with their Clearing Bank. As an alternative, refund may be made to any another bank account of the trading member provided they furnish a No Objection Certificate from their Clearing Bank.
- 5.18. Upon a Trading Member, whose surrender application has been received / approved by the Exchange, being subsequently declared a defaulter/ expelled by the Exchange,

all the process applicable to that of a surrendered trading member shall cease ipso facto and the relevant process pertaining to a defaulter/ expelled trading member shall forthwith commence/ apply.

- 5.19. Cessation of membership consequent upon surrender will become final and effective after refund of deposits provided all the terms and conditions stipulated by the Exchange/NCL are complied with in its entirety. Till cessation, a Trading Member whose application for surrender has been approved shall be subject to all the terms and conditions set forth herein or as may be stipulated/ decided in future from time to time. Approval of surrender of trading membership shall remain conditional upon due compliance by the concerned Trading Member with all their obligations under the Rules/Regulations/Bye-laws of the Exchange/NCL, and circulars issued there under, including arbitration awards and valid investors/ other grievances/claims against them.
- 5.20. The Exchange, at its sole discretion, may waive, add, modify or relax one or more of the above requirements wherever it feels appropriate.

ITEM No.2: CONTINUED ADMITTANCE REQUIREMENTS

6. Deposits and Networth Requirements

6.1.1. All Members are required to ensure that the conditions and requirements for continued admittance to membership, prescribed from time to time, including maintenance of minimum net-worth and capital adequacy are adhered to. The trading membership of any person who fails to meet these requirements shall be liable to be terminated.

6.1.2. The Deposits and the net-worth requirements for each category of Membership is specified at <https://www.nseindia.com/trade/deposits-networth-requirements-for-membership>.

6.1.3. Base Minimum Capital

i. SEBI vide circular no. SMD/SED/RCG/270/96 dated January 19, 1996, circular no MRD/DoP/SE/Cir-07/2005 dated February 23, 2005 and CIR/MRD/DRMNP/ 36 /2012 dated December 19, 2012, has prescribed the requirement of Base Minimum Capital (BMC) for stock brokers trading on stock exchange. BMC is the deposit given by the member of the exchange against which no exposure for trades is allowed.

ii. Members shall maintain the prescribed BMC based on their profiles

S.No.	Categories	BMC requirement
1	Only Proprietary trading without Algorithmic trading (Algo)	Rs. 10 Lacs
2	Trading only on behalf of Client (without proprietary trading) and without Algo	Rs. 15 Lacs
3	Proprietary trading & trading on behalf of Client without Algo	Rs. 25 Lacs
4	All Trading Members/Brokers with Algo	Rs. 50 Lacs

iii. As per the SEBI master circular SEBI/HO/CDMRD/DMP/P/CIR/2021/589 dated July 01, 2021, trading Members registered only in Commodity derivative Segment of Exchange shall maintain BMC as given below:

- Members without Algo trading – INR 10 Lacs
- Members doing Algo trading –INR 50 Lacs

- iv. Minimum 50% of the deposit shall be in the form of cash and cash equivalents. In case of commodity Derivative 25% of the above deposit shall be in the form of cash and balance 75% can be in the form of Fixed Deposit/Bank Guarantee.
- v. The Base Minimum Capital primarily shall be blocked from NSE deposits of Capital Market segment. In case the NSE deposits of Capital Market segment are not enough to cover the BMC requirement, NSE deposits of Futures & Options segment and Currency Derivatives segment shall also be utilised towards the same.
- vi. Member can change the BMC category based on their trading type as specified in para 6.3.2 by putting a BMC change request electronically on ENIT. If the change requires additional BMC requirement, then Member should check whether it has adequate NSEIL-IFSD from which the BMC can be apportioned. In case the IFSD is insufficient, the Member will have to add the required deposits (IFSD), prior to the putting the BMC change request on ENIT. In case if insufficient IFSD, any request for change in the BMC category shall be rejected by the Exchange.

6.2. Net-worth requirements

- i. As per Regulation 9 of SEBI (Stockbrokers) Regulations, 1992 and the continuing membership norms of the Exchange, all Members are required to maintain the prescribed minimum net-worth all times and submit the Net-worth certificate on a half yearly basis to the Exchange.
- ii. Member shall be required to submit the half yearly net-worth within 2 months from the end of the respective half year i.e. for the Half year ending March, the due date shall be May 31st and for the Half year ending September, the due date shall be November 30th. Exchange circular NSE/COMP/47735 dated March 24, 2021, stipulates the disciplinary action in case of Net worth shortfall and non-submission of Net-worth.
- iii. For members providing Margin trading facility (MTF) to their clients, Members are required to submit the HY net-worth within one month from the end of respective half year.
- iv. As per NSE Circular Ref No. NSE/COMP/29604 dated April 30, 2015, the Net-worth is required to be computed as per the method of computation specified by Dr. L.C. Gupta Committee Report.
- v. Vide NSE circular NSE/COMP/48895 dated July 10, 2021, clarification regarding with computation of Net-worth as per Dr. LC Gupta Formula has been provided:

A) Share Capital + Free Reserves

S.No.	Components of Net worth	Remarks
1	Share Capital	This element shall include: - • Paid-up equity share capital of the member. • Paid-up Preference share capital of the member. • Fully, compulsorily & mandatorily convertible debentures/Bonds/warrants which are convertible within a period of 10 years from the date of issue Loans from partners / directors / promoters will not be considered as share capital.
2	Free Reserves	As per Sec. 2(43) of the Companies Act, 2013, free reserves mean such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend: Provided that— (i) any amount representing unrealised gains, notional gains or revaluation of assets, whether shown as a reserve or otherwise, or (ii) any change in carrying amount of an asset or of a liability recognised in equity, including surplus in profit and loss account on measurement of the asset or the liability at fair value, shall not be treated as free reserves. Free Reserves shall include Profit & Loss, General Reserve, Securities Premium, Preference Share Redemption Reserve, Capital Redemption Reserve etc balance of which represents surplus arising out of sale proceeds of assets but will not include reserves created by revaluation of assets. Free Reserves should not include reserves such as Revaluation Reserve, Capital Reserve, Amalgamation Reserve, Debenture Redemption Reserve and other like reserves.

B) Non-Allowable Assets

S. No.	Components of Net worth	Remarks														
3	Fixed Assets	This shall include: - • Net book value of all the Tangible Assets as per Balance Sheet / Trial Balance. • Advances given for acquisition of fixed assets • Capital work in progress. Assets under lease or taken on rent need not be deducted from the Net worth														
4	Pledged Securities	Value of own securities (as recorded in the books of accounts) pledged with the Banks / NBFC or any Financial Institution for raising funds. Own shares pledged to clearing corporations/clearing members are not required to be deducted from Networkth. Illustration: <table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Total Value of own securities as per books of accounts (all Marketable)</td><td>Rs. 1000/-</td></tr><tr><td>Total Value of own securities pledged (Included above)</td><td>Rs. 700/-</td></tr><tr><td colspan="2">Amount to be deducted from Networkth</td></tr><tr><td>Value of pledged securities (100% of Rs. 700/-)</td><td>Rs. 700/-</td></tr><tr><td>30 % of the balance marketable shares (30% of (Rs. 1000-Rs. 700))</td><td>Rs. 90/-</td></tr><tr><td>TOTAL AMOUNT TO BE DEDUCTED</td><td>Rs. 790/-</td></tr></table>	Particulars	Amount	Total Value of own securities as per books of accounts (all Marketable)	Rs. 1000/-	Total Value of own securities pledged (Included above)	Rs. 700/-	Amount to be deducted from Networkth		Value of pledged securities (100% of Rs. 700/-)	Rs. 700/-	30 % of the balance marketable shares (30% of (Rs. 1000-Rs. 700))	Rs. 90/-	TOTAL AMOUNT TO BE DEDUCTED	Rs. 790/-
Particulars	Amount															
Total Value of own securities as per books of accounts (all Marketable)	Rs. 1000/-															
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30 % of the balance marketable shares (30% of (Rs. 1000-Rs. 700))	Rs. 90/-															
TOTAL AMOUNT TO BE DEDUCTED	Rs. 790/-															
5	Non-allowable securities	This shall include: - • Value of all unlisted securities as recorded in the balance sheet including available under ‘non-current investments’. • Investments done in unlisted securities of associate / subsidiary / group companies. Liquid & Debt Mutual Funds, G-Sec, non-government debt securities, corporate bonds shall not form part of non-allowable securities and the same shall be covered under 30% of marketable securities.														

6	Doubtful Debts and advances	This shall include: - • Debts or advances overdue for more than three months. <i>For instance: Debit Balance in the trading account of client 'A' as on Dec 01, 2020 – Rs. 1000. If the amount is not received till March 31, 2021, then the outstanding amount as on March 31, 2021 is to be reduced from the Networth (since the amount is outstanding for more than three months)</i> • Wherever, a provision is created for Doubtful / Bad Debts, net amount i.e. after reducing provision made for Doubtful / Bad Debts shall be considered. • Any amount given in the nature of Loans, advances, Inter corporate deposits given to associates including subsidiaries / group companies of the member. • Loans given to Directors/Partners or any related party of the Member or its Directors or its partners or to the entities in which such director /partners or their relatives have control, irrespective of time period, shall also be deducted. • 'Associate' shall have the meaning as per the SEBI (Intermediaries) Regulations, 2008 <i>"associate" means and includes any person controlled, directly or indirectly, by the intermediary, any person who controls, directly or indirectly, the intermediary, or any entity or person under common control with such intermediary, or where such intermediary is a natural person any relative as defined under the Companies Act, 2013 of such intermediary or where such intermediary is a body corporate its group companies or companies under the same management;</i> <i>The expression 'control' shall have the same meaning as defined under clause (c) of Regulation 2 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.</i> <i>The term related party shall have the same meaning as given in clause 76 & 77 of Section 2 of Companies Act 2013 to be read with Rule 4 of the Companies (Specification and definition details) Rules, 2014.</i>
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7	Prepaid Expenses, losses	This shall include: • Prepaid expenses and losses as per Balance Sheet / Trial Balance. • Preliminary / Deferred revenue / Pre-operative expenses / Deferred Tax Asset/ MAT credit not written-off as per Balance Sheet • GST credit not required to be deducted															
8	Intangible Assets	Net book value of intangible assets such as goodwill, patents, copyrights, trademarks, computer software, investment in artwork and other antique items etc. as per Balance Sheet / Trial Balance															
9	30% of Marketable Securities	This shall include: • Listed securities held either as investment or Stock-in-Trade / Inventories shall be referred as marketable securities. • Value of these Securities to be considered for calculating this element shall be the value as recorded in the books of accounts, on the date of the computation of the Networth. It is observed that Clearing Corporations applies different hair cut for less riskier securities (Liquid and Debt Mutual Funds, G-Sec, non-government debt securities, corporate bonds, T-bills & Sovereign Gold bonds) for the purpose of collecting collaterals from members. NCL vide its circular no. NCL/CMPT/48346 dated May 21, 2021 stipulated different hair cut on different type of approved securities. Based on this, instead of deducting 30% value, such approved securities (Liquid and Debt Mutual Funds, G-Sec, non-government debt securities, corporate bonds, T-bills & Sovereign Gold bonds) can be aligned with the percentage hair cut applied by the clearing corporation on such collaterals. In case Liquid and Debt Mutual Funds, G-secs, T-bills, Sovereign Gold bonds, non-government debt securities, corporate bonds does not form part of aforementioned Exchange circular, Members are advised to refer SEBI circular dated Feb 21, 2019 for the haircut. Illustration: <table border="1"> <thead> <tr> <th>Particulars</th><th></th><th>Amount (Rs.)</th></tr> </thead> <tbody> <tr> <td>Listed Shares</td><td>A</td><td>Rs. 200</td></tr> <tr> <td>G-Sec (having 10% haircut)</td><td>B</td><td>Rs. 100</td></tr> <tr> <td>TOTAL MARKETABLE SECURITIES</td><td>A+B</td><td>Rs. 300</td></tr> <tr> <td>Deduction from Networth</td><td></td><td>Rs. 70</td></tr> </tbody> </table>	Particulars		Amount (Rs.)	Listed Shares	A	Rs. 200	G-Sec (having 10% haircut)	B	Rs. 100	TOTAL MARKETABLE SECURITIES	A+B	Rs. 300	Deduction from Networth		Rs. 70
Particulars		Amount (Rs.)															
Listed Shares	A	Rs. 200															
G-Sec (having 10% haircut)	B	Rs. 100															
TOTAL MARKETABLE SECURITIES	A+B	Rs. 300															
Deduction from Networth		Rs. 70															

		30% of Listed Shares – (30% of Rs. 200) - Rs. 60/- 10% of G Sec – 10% of Rs. 100 - Rs. 10			
		In this process, for those securities / other type of mutual funds wherever hair cut applied by Clearing Corporation is higher than 30%, maximum ceiling percentage of 30% given as per Dr L C Gupta formula shall be applicable. Further, whenever member is dealing with more than one Exchanges / Clearing Corporations then for the purpose of haircut, maximum applicable haircut / VAR by any of the Clearing Corporations with shall be taken for valuation of such securities (Liquid and Debt Mutual Funds, G-Sec, non-government debt securities, corporate bonds, T-bills & Sovereign Gold bonds).			

6.3. As per Rule 33 of Chapter III of NSEIL Rules, the relevant authority of the Exchange, shall from time to time prescribe conditions and requirements for continued admittance to trading membership which may, inter alia, include maintenance of minimum networth and capital adequacy, renewal of certification, if any, etc. The trading membership of any person who fails to meet these requirements shall be liable to be terminated.

6.4. Amendment to SEBI (Stockbrokers) Regulations, 1992

SEBI vide official gazette No. SEBI/LAD-NRO/GN/2022/73 dated February 23, 2022, has amended the networth requirements for Members. The key changes, which will be implemented w.e.f Feb 23, 2023, are as under:

- The quantum of networth to be maintained by the stock-broker/clearing member, as specified in Table 1 of this Schedule, shall be reckoned for all segments/stock exchanges.
- Members shall be required to maintain Networth which will be equivalent to the Base Networth or Variable Networth, whichever is higher.

Type of Member	Base Network {within 1 year of the date of notification of the Securities and Exchange	Base Network {within 2 years of the date of notification of the Securities and Exchange	Variable Network {within 1 year of the date of notification
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	Board of India (Stock Brokers) (Amendment) Regulations, 2022} (in ₹)	Board of India (Stock Brokers) (Amendment) Regulations, 2022} (in ₹)	of the Securities and Exchange Board of India (Stock Brokers) (Amendment) Regulations, 2022}
Trading Member	-	1 crore	10% of average daily cash balance of clients retained with the member across segments/ exchanges in the previous 6 months.
Self- Clearing Member	3 crore *	5 crore	
Clearing Member	10 crore *	15 crore	
Professional Clearing Member	25 crore	50 crore	

* In Currency Derivative Segment, Self-Clearing Member and Clearing Member shall have minimum networth of Rs. 5 crore and Rs. 10 crore, respectively.

- iii. Where the trading member/ self-clearing member deposits the fund with the clearing member/ professional clearing member/ clearing corporation, the maintenance of variable networth would not be required by that trading member/ self-clearing member to the extent of clients funds deposited with clearing member/ professional clearing member/ clearing corporation.
- iv. Where the trading member deposits the client"s funds with clearing member/ professional clearing member, the computation of variable networth at the level of clearing member/ professional clearing member shall also include the funds of the clients of trading member deposited with the clearing member/ professional clearing member.
- v. Where the self-clearing member/ clearing member/ professional clearing member deposits the client"s funds with the clearing corporation, the same shall be excluded while calculating the variable networth at the level of the self-clearing member/ clearing member/ professional clearing member:
- vi. Provided that the cash / Fixed Deposit Receipts/ Bank Guarantee accepted by trading member/ self-clearing member/ clearing member/ professional clearing member shall be included while calculating the variable networth:
- vii. Provided further that the cash / Fixed Deposit Receipts/ Bank Guarantee of clients deposited by trading member with clearing member/ professional clearing member and by self-clearing member/ clearing member/ professional clearing member with the clearing corporation shall be excluded while calculating the variable networth.
- viii. For the purposes of this Schedule, 'base networth' shall mean paid up capital, fully, compulsorily and mandatorily convertible debentures / bonds / warrants which are

convertible within a period of 5 years from the date of issue, free reserves and other securities approved by the Board from time to time, but shall not include fixed assets, pledged securities, value of member's card, non-allowable securities (unlisted securities), bad deliveries, any debts and advances (except trade debtors of less than 3 months), prepaid expenses, losses, intangible assets and 30% value of marketable securities:

- ix. Provided that in case of securities pledged to clearing corporation, the post haircut value of shares owned by the Trading Member / Clearing Member, as may be specified by the Board from time to time, shall be considered for computation of the networth:
- x. Provided further that the deposit requirement specified for the debt segment shall not be applicable when a clearing member clears and settles all the trades only on gross basis for both securities and funds, without using settlement or trade guarantee fund:
- xi. Provided further that where the stock broker, clearing member or self-clearing member in the debt segment, is also regulated by a sectoral regulator other than the Board, the networth shall be computed in the manner as specified by such sectoral regulator or as specified by the Board, whichever is higher.
- xii. Free reserves shall include Profit and Loss, General Reserve, Securities Premium, Preference Share Redemption Reserve and Capital Redemption Reserve, but shall not include reserves created by revaluation of assets.

7. Procedure for Voluntary disablement and subsequent re-enablement

7.1. Members desirous of applying for voluntary disablement in all/selected segments shall follow the procedure as detailed below:

- The Request should be made in writing by the trading member specifically seeking voluntary disablement mentioning the reasons for the same.
- The Request should be accompanied by a Board Resolution.
- The Request should be signed by designated director duly authorized for this purpose by Board Resolution.
- The Request should mention that the member has no open positions as on the date of application.

7.2. Members who have opted for voluntary disablement can make an application for re-enablement will be subject to submission / compliance with the following:

- Request in writing by one of the Designated Director accompanied with Board Resolution
- Submit all the annual documents/statements for the latest financial year in accordance with our Circular issued for this purpose (including the ones for the earlier years if not submitted).
- Submission of Networth Certificate meeting minimum networth requirement.
- Submit details of mode of connectivity.
- Submit details of approved users with relevant certification details. All users will need to possess certification upon re-enablement.
- Declaration on the letter-head of the Trading Member regarding the Bank name, account no. and account type (eg: settlement account, exchange dues account etc.)
- Correspondence and registered office address confirmation.
- Submission of CTCL details, if applicable
- Undertaking for Base Minimum Capital on the Letter head of the Trading Member (As per specified format)
- Any other requirement that may be specified by the Exchange from time to time.

8. Membership Certificate

Registered Members of Exchange can auto-download Membership certificate containing details of the Member's registration status across the various segments of the Exchange. The Membership certificate can be generated through the online module in our NSE digital portal (<https://digitalexchange.nseindia.com>) at following path:

Regulatory > Event Based > Prepare Membership Certificate

Members are advised to refer to NSE circular NSE/COMP/49984 dated October 18, 2021, for the process of generation of the Membership Certificate.

ITEM No.3: EXCHANGE APPROVALS

9. CHANGE IN SHAREHOLDING / PROFIT SHARING PATTERN

As per Exchange circulars NSE/MEM/13964 dated January 22, 2010, and NSE/MEM/18010 dated June 08, 2011, all Members of the Exchange are required to seek prior approval of both SEBI and Exchange in case of any change in shareholding, with change in control and prior approval of the Exchange in case of any change in shareholding without change in control.

Monetary penalty of Rs. 10,000 per day per instance shall be levied in case of change in shareholding (with no change in control) without Exchange approval. (Ref: NSE circular NSE/INSP/52085 dated April 22, 2022).

9.1. Submission of list of Promoters, Non-Promoters/Partners:

- i. Members will be required to submit shareholding/ sharing pattern and list of promoters, non-promoters, partners at the time of seeking prior approval and through periodical submissions as may be sought from time to time
- ii. Members will provide a list of promoters, non-promoters, partners along with their interest, if any (shareholding/ partnership share) in the stock broking entity. The promoters can be identified as under, in terms of NSE circular ref. no. NSE/COMP/49213 dated August 06, 2021:

Constitution	Details
Corporate (Listed entity)	The promoter shall be as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. Regulation 2 (oo) "promoter" shall include a person: i) who has been named as such in a draft offer document or offer document or is identified by the issuer in the annual return referred to in section 92 of the Companies Act, 2013; or ii) who has control ¹ over the affairs of the issuer, directly or indirectly whether as a shareholder, director or otherwise; or iii) in accordance with whose advice, directions, or instructions the board of directors of the issuer is accustomed to act. Provided that nothing in sub-clause (iii) shall apply to a person who is acting merely in a professional capacity.

Constitution	Details
	Provided further that a financial institution, scheduled commercial bank, foreign portfolio investor other than Category III foreign portfolio investor, mutual fund, venture capital fund, alternative investment fund, foreign venture capital investor, insurance company registered with the Insurance Regulatory and Development Authority of India or any other category as specified by the Board from time to time, shall not be deemed to be a promoter merely by virtue of the fact that twenty per cent or more of the equity share capital of the issuer is held by such person unless such person satisfy other requirements prescribed under these regulations; ¹ Control as defined under SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011 Further, persons having controlling interest in the entity in terms of SEBI (Stock Broker) Regulations shall also be treated as promoters
Corporate (Unlisted)	The promoter shall be as per Section 2(69) of Companies Act, 2013 “promoter” means a person— a) who has been named as such in a prospectus or is identified by the company in the annual return referred to in section 92; or b) who has control¹ over the affairs of the company, directly or indirectly whether as a shareholder, director or otherwise; or c) in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act Provided that nothing in clause (c) shall apply to a person who is acting merely in a professional capacity; ¹Control as defined under SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011 Further, persons having controlling interest in the entity in terms of SEBI (Stock Broker) Regulations 1992 shall also be treated as promoters
Partnership Firms/LLP	All partners
Individual/Sole Proprietorship	Individual /sole Proprietor

The application formats for change in shareholding pattern, with/without change in control, are available on NSE website at below mentioned link, under the section “Change in Member Details”:

<https://www.nseindia.com/trade/membership-formats>

9.2. Change in control

As per Regulation 9 (c) of SEBI (Stock Brokers) Regulations, 1992, one of the conditions of registration is that Members have to obtain prior approval of the SEBI for any change in control. SEBI circular CIR/MIRSD/2/2011 dated June 03, 2011, and NSE circular NSE/MEM/18010 dated June 08, 2011, requires all Members of the Exchange to take prior approval of SEBI and Exchange for any change in control.

In case of change in control without approval of Exchange, Monetary penalty of Rs. 2,00,000/- shall be levied along with withdrawal of trading facility of the trading member till approval of the Exchange. (Ref: NSE circular NSE/INSP/52085 dated April 22, 2022)

9.2.1. The following scenarios will amount to change in control:

Sr. No.	Change in Control scenarios	Whether Approval required
1	Any change in the promoters/partners resulting in change in control of the member as defined in SEBI (Stockbrokers) Regulations, 1992 ² & SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011 (SAST) ³	NOC from Exchanges & Prior Approval of SEBI
2	Change in legal formation or ownership w.r.t Partnership/ LLP/ individual members	NOC from Exchanges & Prior Approval of SEBI

² **SEBI (Stock Brokers) Regulations, 1992 (“SB Regs”) defines “change in control” as under:**

(ac) “change in control” –

(i) in case of a body corporate –

(A) if its shares are listed on any recognised stock exchange, shall be construed with reference to the definition of control in terms of regulations framed under clause (h) of sub-section (2) of section 11 of the Act;

(B) in any other case, shall be construed as change in the controlling interest in the body corporate;

Explanation:

For the purpose of para (B) of this sub-clause, the expression “controlling interest” means an interest, whether direct or indirect, to the extent of at least fifty-one percent of voting rights in the body corporate.

(ii) in a case other than that of a body corporate, shall be construed as any change in its legal formation or ownership.

³SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011 (SAST) defines “control” as under:

*“Control” includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually **or in concert**⁴, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner*

⁴Persons Acting in concert shall have the same meaning as defined under 2 (q) of Chapter I of SEBI (SAST) Regulations, 2011

9.2.2. Exception to the aforementioned rule for change in control

In view of the SEBI circular Ref No. SEBI/HO/MIRSD/DOR/CIR/P/2021/42 dated March 25, 2021, in the following the scenarios the change in shareholding will not be construed as change in control and hence SEBI prior approval shall not be required:

- In case of unlisted body corporate
 - Transfer of shareholding among immediate relatives (as defined under Regulation 2(I) of SEBI (SAST) Regulations
 - Transfer of shareholding by way of transmission
- In case of partnership firm
 - Transfer of interest amongst the partners
 - Transfer of interest by way of transmission to a legal heir of a deceased partner provided the same is mentioned in partnership deed

The application format for applying to the Exchange for the following changes in shareholding is available at the following link under the section “Change in Member Details”:

<https://www.nseindia.com/trade/membership-formats>

9.2.3. Ultimate Beneficiary Owner (UBO) Identification

In accordance with the provisions of Prevention of Money Laundering Act (PMLA) and SEBI circular CIR/MIRSD/2/2013 dated January 24, 2013, the beneficial owner shall be identified as per below criteria:

- i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
- ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- iii. more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.
- iv. In case of a trust, the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust.

In case of non-individuals except listed entities, details of the immediate promoter / partner and the Ultimate Beneficial Owner should be provided.

9.2.4. Exceptions where UBO is/are not to be identified:

- i. Where the client or the owner of the controlling interest is a company listed on a stock exchange or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of ultimate beneficial owner of such companies.
- ii. If in the opinion of the Exchange, it is evident that the identification of promoters/promoter group is not practically possible in terms of the aforesaid norms, then the Exchange, at its sole discretion, reserves the right on deciding on identification of promoters/promoter group by adding certain conditions, if required.
- iii. Where all the promoters in a Scheduled Bank or any Financial Institution registered with or regulated by any regulatory authority such as RBI, SEBI, IRDA, PFRDA or as decided by the Exchange from time to time.
- iv. Where all the promoters are central/state government owned financial institutions

9.2.5. Other Important points:

- i. Promoters shall meet the condition of fit and proper person similar to the criteria envisaged in the SEBI (Intermediaries) Regulations, 2008 and being applied to intermediaries seeking registration from SEBI.

- ii. Members shall provide reasons for any change in shareholding of promoter (member entity, holding company, corporate promoter etc); whether or not constituting change in control
- iii. Promoters who are foreign investors' viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, may be guided by the clarifications issued vide SEBI circular CIR/MIRSD/11/2012 dated September 5, 2012, for the purpose of identification of beneficial ownership of the client.
- iv. Foreign citizens/nationals cannot be identified as dominant promoter
- v. Foreign entities are allowed to become promoter/part of promoter group of an existing/new trading member provided they meet the guidelines as prescribed in NSE Circular ref. no. NSE/COMP/52970 dated July 14, 2022. They also need to comply with FIPB norms/RBI norms and any other requirements of the Exchange/SEBI as may be applicable from time to time.
- vi. The promoting foreign entities shall hold, directly or indirectly and individually or collectively not less than 51 % of the controlling stake in the applicant company proposing to take the trading membership of the Exchange.
- vii. The identified foreign entities have to comply with any of the following norms and identification of Ultimate Promoter will not be required:
 - a) The promoting foreign entity or any of its holding company/subsidiary should be either a bank or insurance company regulated by the Central Bank or such other relevant regulatory authority of that respective country and has a networth of at least Rs. 50 Crores.
 - b) The promoting foreign entity or any of its holding company/subsidiary should be broking house/participant in the securities market that is registered or regulated by the relevant regulatory authority of that respective country and that the relevant authority should be a member of International Organisation of Securities Commission (IOSCO). The promoting foreign entity should have networth of at least Rs. 50 Crores.
 - c) The promoting foreign entity or any of its holding company/subsidiary should be Government owned Finance and/or Development Institution and has a networth of at least Rs. 50 Crores.
 - d) The promoting foreign entity or any of its holding company/subsidiary should be Pension fund, Sovereign Wealth Fund, Broad Based Investment Fund which are registered or regulated by relevant regulatory authority of that respective country or specifically exempt from such registration. Pension fund, Sovereign Wealth Fund or broad-based investment fund should have minimum of USD 50 million Asset Under Management (AUM). The ultimate fund needs to be a large fund having AUM of at least USD 200 million and the direct investing fund/scheme having AUM of USD 50 million.

- e) The promoting foreign entity is one whose domestic arm or subsidiary is registered with or regulated by any regulatory authority such as RBI, SEBI, IRDA, PFRDA or as decided by the Exchange from time to time and has a networth of at least Rs. 50 Crores.
- viii. The nominated list of promoters may or may not be holding any shareholding/ partnership interest in entity
- ix. Members are required to obtain prior approval of the Exchange for any change in shareholding pattern and change in composition of Promoter Group of Member entity:
 - a) In case of change in ultimate beneficial owner of Corporate Promoter / Holding Company / Ultimate Holding Company the same needs to be intimated to the Exchange, if such changes do not lead to change in control. In case such changes results in change in control of the member entity (directly or indirectly), the same would require prior approval from Exchange & SEBI.
 - b) In case of unlisted entity, if there is a change in less than 2% shareholding in promoter/ non- promoter group, then only intimation will be required to be done to Exchanges.
 - c) In case of Member being a listed company, or corporate shareholder being listed, it is not required to take prior approval for any changes in non-promoter holdings or for changes in holdings of promoter group, if it does not lead to change in control. However, Members are required to inform about such changes to the Exchange on quarterly basis to the membership department. In any case, any change leading to change in control would require prior approval from the Exchange & SEBI.

10. TRANSFER OF BUSINESS BY SEBI REGISTERED INTERMEDIARIES TO OTHER LEGAL ENTITY

- 10.1. As per SEBI circular CIR/MIRSD/2/2011 dated June 03, 2011, Members shall be required to seek prior approval of the Exchange in case of any amalgamation, demerger, consolidation, or any kind of corporate restructuring falling within the Companies Act, 2013 or the corresponding provision of any other law for the time being in force.
- 10.2. SEBI vide its circular Ref no. SEBI/HO/MIRSD/DOR/CIR/P/2021/46 dated March 26, 2021, has issued the following clarifications with respect to transfer of business/membership by SEBI registered intermediaries to other legal entity: -
 - i. The transferee shall obtain fresh registration from SEBI in the same capacity before the transfer of business if it is not registered with SEBI in the same capacity. SEBI

shall issue new registration number to transferee different from transferor's registration number in the following scenario:

"Business is transferred through regulatory process (pursuant to merger / amalgamation / corporate restructuring by way of order of primary regulator /govt / NCLT, etc) or non-regulatory process (as per private agreement /MOU pursuant to commercial dealing / private arrangement) irrespective of transferor continues to exist or ceases to exist after the said transfer."

- ii. In case of change in control pursuant to both regulatory process and non-regulatory process, prior approval and fresh registration shall be obtained. While granting fresh registration to same legal entity pursuant to change in control, same registration number shall be retained.
- iii. If the transferor ceases to exist, its certificate of registration shall be surrendered.
- iv. In case of complete transfer of business by transferor, it shall surrender its certificate of registration.
- v. In case of partial transfer of business by transferor, it can continue to hold certificate of registration.

In case any of the aforementioned arrangement results in transfer of control, prior approval of SEBI shall also be sought.

The application format for transfer of Membership/merger/amalgamation can be accessed at the below mentioned link, which can be used by Members (transferor/transferee) for making an application to the Exchange:

<https://www.nseindia.com/trade/membership-merger-amalgamation>

11. CHANGE IN DIRECTORS

11.1. SEBI circular CIR/MIRSD/2/2011 dated June 03, 2011, Exchange circulars NSE/MEM/13964 dated January 22, 2010, and NSE/MEM/18010 dated June 08, 2011, requires all Members to seek prior approval of the Exchange for change in Directors.

11.2. The application format for applying to the Exchange for the following changes in Directors is available at the following link under the section "Change in Member Details":

<https://www.nseindia.com/trade/membership-formats>

11.3. Eligibility requirements of Designated Directors: -

- i) There shall be atleast 2 Designated Directors in a Corporate Member who would be managing its day-to-day trading operations
- ii) Minimum age of designated director(s) shall be 21 years
- iii) Each of the Designated Directors should be at least HSC or equivalent qualification
- iv) Each of the Designated Directors should have a minimum of 2 years' experience in an activity related to dealing in securities or as portfolio manager or as investment consultant or as a merchant banker or in financial services or treasury, broker, sub broker, authorised agent or authorised clerk or authorised representative or remisier or apprentice to a member of a recognised stock exchange, dealer, jobber, market maker, investor/client or in any other manner in dealing in securities or clearing and settlement thereof.
- v) All Directors of the Member shall meet the condition of fit and proper person like the criteria envisaged in the SEBI (Intermediaries) Regulations, 2008
- vi) The directors are not disqualified for being members of a stock exchange under clause (1) of rule 8 of SCRR [except sub-clauses (b) and (f) thereof] or clause (3) of rule 8 of SCRR [except sub-clauses (a) and (f) thereof] of the Securities Contracts (Regulation) Rules, 1957 and the directors had not held the offices of the directors in any company which had been a member of the stock exchange and had been declared defaulter or expelled by the stock exchange.

11.4. In case of change in director (whether designated or non-designated) without exchange approval monetary penalty as specified in NSE circular NSE/INSP/52085 dated April 22, 2022 shall be levied.

12. CHANGE IN NAME OF TRADING MEMBERS

12.1. All members are required to note that the application for change in name should be submitted to the Exchange prior to the application made to the Registrar of Companies/ firms for change of name. NSE circular NSE/MEMB/10363 dated February 28, 2008, requires all Members to seek prior approval of the Exchange for change in Name.

12.2. The change in name process involves the following stages:

- **Stage 1** - Intimation/Application, seeking prior approval, to the Exchange for change in name, prior to making an application to the Registrar of Companies (ROC).
- **Stage 2** - Submission of documents to the Exchange for incorporating name change in the SEBI Registration Certificates after completing requisite formalities with the ROC.
- **Stage 3** - Submission of documents to the Exchange for enablement on the NEAT system in the new name after receipt of SEBI Registration Certificate(s) with the new name.

12.3. In case of any change in name, the Trading Members need to submit their applications electronically to the Exchange through the “Change in Name’ module on ENIT- New Compliance, along with documents as provided in the following link:

<https://www.nseindia.com/trade/members-change-in-name>

12.4. The procedure for submitting the request is provided in NSE circular NSE/COMP/51582 dated March 10, 2022

12.5. Further, Members are requested to note that change in the name of the Trading Member by addition/deletion of word ‘Private’ would be tantamount to change in status or constitution as laid down under Securities and Exchange Board of India (Stock brokers), 1992. Accordingly, Members are required to seek prior approval of the Exchange applying with documents listed under Stage 1. Exchange shall in turn seek prior approval of SEBI and communicate approval to the Members. On receipt of approval from the Exchange, Member may go ahead with requisite formalities with the Registrar of Companies and submit Stage 2 documents to the Exchange for incorporating name change in the SEBI Registration Certificate(s).

13. CHANGE IN REGISTERED OFFICE ADDRESS

- 13.1. In the event of change in registered office address, the members are required to inform the Exchange. Members shall submit their request electronically through the '**Change in Registered Office Address**' on ENIT- New Compliance with effect from February 28, 2022.
- 13.2. Proforma for application format is made available on the NSE website at <https://www.nseindia.com/trade/membership-formats> under "Change in Member Details" section.
- 13.3. The process to submit the request is stipulated in NSE circular NSE/COMP/51461 dated Feb 28, 2022.

14. APPLICATION FOR ADDITIONAL SEGMENT MEMBERSHIP OF THE EXCHANGE.

In case a registered Member opts for membership in an additional segment of the Exchange, Member can apply to the Exchange for registration. The format and the check list for the application is available on the NSE website <https://www.nseindia.com/trade/membership-formats> under "Formats for Additional Segment" section.

15. ADVERTISEMENT

15.1. As per the 'Code of Advertisement' prescribed by the Exchange, Advertisement is defined as below:

'All forms of communications issued by or on behalf of Stockbroker in publicly available media that may influence investment/sale decisions of any investor/prospective investors. Forms of communications shall include form of document, pamphlets, circulars, brochures, notice or any research reports or any other literature or information, material published, or designed for use in a newspaper, magazine, SMS or other periodical, radio, television, telephone or tape recording, video tape display, signs or bill boards, motion pictures, telephone directories (other than routine listings) or other public media including any generally accessible websites or emails, whether in print or audio visual form or used in workshop/seminar or public speaking or in any other manner.'

15.2. All Members are required to seek prior approval of the Exchange before issuing any advertisement/Business communication or promotional campaign. Members can apply for Advertisement approval through 'NEW ENIT-COMPLIANCE' module as per circular Download Ref. No.: NSE/COMP/33319 dated September 30, 2016. Members are also advised to refer circular Download Ref. No.: NSE/COMP/33643 dated November 16, 2016, and NSE/COMP/35133 dated June 16, 2017.

15.3. The following form of Advertisements/Publications as given below, will require Exchange Prior approval: -

- i. Any content on Member's website/Member's own social media platform, including but not limited to Facebook page/Instagram/Twitter Accounts, etc. that promotes Products/Services/Brokerage plans, etc. Further any such content which amounts to solicitation for account opening including Brand Promotion.
- ii. Any content of social media including Facebook, WhatsApp, Instagram, Twitter, YouTube, etc. other than on Member's own website/Facebook page, etc. that promotes Products/Services/Brokerage plans, etc. etc. Further any such content which amounts to solicitation for account opening including Brand Promotion. (Necessary disclaimer and T&C applicable to Advertisement should be mentioned specifically with creative or followed by creative). An active link on the first page, for such disclaimer is sufficient. It should be ensured that such link is active and takes the viewer to the documents containing the disclaimer and T&C. It may be noted that the content of all information/T&C/disclaimer, etc. which are accessible through the active link are also subject to Exchange approval.

- iii. In case employees of an entity are posting content/organising competition/contests online/social media, which promotes the Products/Brand/Services or can influence the investment/sale decisions of any investors, for such content the prior approval is needed, though it is not directly done by the Member. In order to have control over such material, Member should ensure that–
 - a) Member should have an internal policy for employees/associates/channel partners, etc. indicating repercussions for violations which lays down framework for such behaviour.
 - b) Member should take appropriate actions for all such violations.
- iv. Any display of awards received by Member from third party, Member's mobile application promotion (with or without account opening or Products/Services info).
- v. Any content in form of Advertisement on Any Mode of Advertisement by AP/Business partner/Channel partner of member
- vi. Video content or any other content/information on securities market made or distributed by any third person/entity (blogger/ person whether having his/her own channel or not) which is directing to information or promoting any Broker's name or has the effect of influencing the investment/sale decisions of any investors (influencers, etc.). It has been observed that there are arrangements, where brokerage houses enter into an arrangement with individuals, who upload videos and attach links, which take them to the websites of brokerage houses for opening accounts, thus influencing the investment/sale decisions of investors. In such audio-visual media-based advertisements, standard warning both the visual and the voice over reiteration containing 17 words should be running for at least 5 seconds. Member should take appropriate actions in case above promotion is carried out without its knowledge or approval.
- vii. Any content in form of Advertisement promoting an event/programme sponsored by Member wherein Member's Products/Services/ Brokerage plans, etc. are displayed
- viii. Any Advertisement jointly with a third party or Member's associate entity or group entity which includes Brand Promotion.
- ix. Any third-party advertisement containing Name/Logo/Products/Services offered by member. Member should take appropriate actions in case above promotion is carried out without its knowledge or approval.

15.4. Advertisements/Publications as given below, do not require Exchange approval:

- i. Wishes /Greetings from company on events/festivals by Member wherein there is no mention of Member's Products/Services/Brokerage plans where there is no

mention of any information that can influence the investment/sale decisions of any investors.

- ii. Any content/Advertisement for existing clients which will get circulated only through Registered Email IDs and/or Mobile number. There should be a specific standard instruction attached to such communication stating that “the information is only for consumption by the client and such material should not be redistributed”.
- iii. Contents which are exclusively for Non-Broking Products/Services e.g. Mutual Fund, Mutual Fund-SIP, Research reports, Insurance, etc. where the Member is just a distributor. This should contain specific disclosure that these are not Exchange traded product and the Member is just acting as distributor. It should also state that all disputes with respect to the distribution activity, would not have access to Exchange investor redressal forum or Arbitration mechanism.
- iv. Contents which are exclusively for educational information/knowledge sharing on capital market concepts and has no influence the investment/sale decisions of any investors.
- v. Content/Material promoting entities/activities covered under SEBI (Research Analysts) Regulations, 2014.
- vi. Content/Material promoting entities/activities covered under SEBI (Investment Advisers) Regulations 2013.
- vii. Content/Material promoting entities/activities covered under Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020.
- viii. Advertisements that have been approved previously and that are to be used without any change or with limited change e.g. limited to updates of more recent statistical information issued by third parties, whether it is issued by Member, Channel Partner or employee. However, such advertisements should be issued within 180 days from the date of approval by the Exchange.
- ix. Third party advertisement: In case of advertisement already approved by Exchange which contains any third-party Products/Services, approval will not be required if the said third party publishes any advertisement containing such Products/Services and Member Name/Logo which was the content of previous Exchange approved advertisements with the approval of the Member who has taken prior approval of the Exchange. However, such advertisements should be issued within 180 days from the date of approval by the Exchange.
- x. If an advertisement is approved by Exchange for a specific medium (say Print media) and the same advertisement without any change in the content is redesigned for a different medium (say social media, etc.) then no approval would be required. However, such advertisements should be issued within 180 days from the date of approval by the Exchange.

- xi. A retail communication that is limited to market commentary concerning overall changes in the market on a particular day, or a discussion of economic news wherein there is no mention of Member's Products/Services/Brokerage plans, or any information that can influence the investment/sale decisions of any investors.
- xii. Press release by members wherein there is no mention of Member's Products/Services/Brokerage plans, or any information that can influence the investment/sale decisions of any investors.
- xiii. All communications in public, inviting applications for franchisees/authorized persons, etc. to expand the business of the Member, provided such communication does not mention of any information that can influence the investment/sale decisions of any investors.

All advertisements/communications from the Member to its client which are included in the above list which does not require prior approval, in whichever form shall not violate the guidelines suggested by SEBI and Exchange through its Rules, Byelaws and spirit of the circulars and in case, any information in such advertisements/communications is found to be misleading/incorrect/superficial, the sole responsibility will be of the concerned Member and Member shall be liable to the penal actions as per the provisions of the applicable Rules/Byelaws/guidelines/circulars.

15.5. Members are advised to follow the 'Code of Advertisement' prescribed by the Exchange while issuing any advertisement. NSE circular NSE/COMP/33643 dated November 16, 2016, prescribes the Code of Advertisement which is enumerated as under:

- 15.5.1. Advertisement shall include all forms of communications issued by or on behalf of Stockbroker in publicly available media that may influence investment/sale decisions of any investor/prospective investors.
- 15.5.2. Forms of communications shall include, form of document, pamphlets, circulars, brochures, notice or any research reports or any other literature or information, material published, or designed for use in a newspaper, magazine, SMS or other periodical, radio, television, telephone or tape recording, video tape display, signs or bill boards, motion pictures, telephone directories (other than routine listings) or other public media including websites or emails, whether in print or audio visual form or used in workshop/seminar or public speaking or in any other manner.
- 15.5.3. Advertisement/Material shall contain:

- i. Name of the Stock-Broker, registered office address of the member, SEBI Registration No (all registration numbers and names of the Exchanges in case of multiple memberships) / Stock Broker ID allotted by Exchange and logo of the Stock Broker, if any.
- ii. Information, which is accurate, true, fair, clear, complete, unambiguous and concise.
- iii. Standard warning in legible fonts (minimum 10 font size) which states 'investment in securities market are subject to market risks, read all the related documents carefully before investing.' No addition or deletion of words shall be made to the standard warning. In audio-visual media-based advertisements, the standard warning in visual and accompanying voice over reiteration shall be audible in a clear and understandable manner. For example, in standard warning both the visual and the voice over reiteration containing 17 words running for at least 5 seconds may be considered as clear and understandable.
- iv. In case the mode of advertisement is SMS/Message/Pop-up, etc. and the details such as full name, logo, full registered office address, SEBI registration numbers and standard disclaimer are not mentioned, then official website hyperlink has to be provided in such SMS/Message/Pop-up, etc. and the website must contain all such details.
- v. If there is mentioning of content pertaining to any other business activity such as Mutual Funds, IPO, Insurance, Commodities, Bonds, Fixed Deposits, Loans, etc., in the advertisement, then respective registration number(s) where applicable should be mentioned.
- vi. If the member is only a distributor/s for any of the products mentioned in the advertisement, disclaimer that they are only distributor/s of such products should be specifically mentioned in the disclaimer
- vii. In case any specific security/securities are displayed in the advertisement as examples, disclaimer that "The securities quoted are exemplary and are not recommendatory" should be mentioned.
- viii. If the advertisement contains prepaid Brokerage schemes, Exchange circular (ref. no. NSE/INSP/26252 dated March 24, 2014) regarding pre-paid schemes should be complied with. In case anything related to the brokerage rates offered by the member is mentioned in the advertisement, then a disclaimer stating that the "Brokerage will not exceed the SEBI prescribed limit" should be mentioned.

15.5.4. Advertisement/Material shall not contain:

- i. Anything which is otherwise prohibited for publication under the relevant Act, unwarranted, or make any promises.
- ii. Statements which are false, misleading, biased or deceptive, based on assumptions/projections.
- iii. Shall not contain any misleading or deceptive testimonials.
- iv. Statements which directly or by implication or by omission may mislead the investor.
- v. Any statement designed as likely to be misunderstood or likely to disguise the significance of the statement.
- vi. Any statement designed to exploit the lack of experience or knowledge of the investors.
- vii. Any slogan that is exaggerated or unwarranted or slogan that is inconsistent with or unrelated to the nature and risk and return profile of the product.
- viii. Any promise or guarantee of assured return to the general investors.
- ix. Any statement which directly or indirectly discredits other advertisements or Stock Broker or make unfair comparisons.
- x. Representations made about the performance or activities of the broker unless accompanied by data regarding performance, disclosures of all the risk factors, etc. and disclaimer that "Such representations are not indicative of future results". Such disclaimer shall be in the same font as the rest of the advertisement.
- xi. Superlative terms, such as best, no. 1, one of the best, among market leaders, etc. unless such terms is provided by an entity independent of the Stock Broker and its affiliates, and whose services are not procured by the Stock Broker or any of its affiliates to assign the Stock Broker such term.
- xii. Recommendations such as BTST (buy today and sell tomorrow), ATST (acquire today and sell tomorrow) etc. cannot be mentioned in the advertisement as per Exchange circular ref. no. NSE/COMP/13186 dated October 05, 2009.

15.6. Compliance and Other Requirements:

- i. Statistical information, charts, graphs, etc. when used should be supported by their source, if any.
- ii. Where advertising claims are expressly stated to be based on or supported by independent research or assessment, the source and date of this should be indicated in the advertisement.
- iii. In the event of suspension of any Stockbroker by the Exchange, the Stock Broker so suspended shall not issue any advertisement either singly or jointly with any other Stock Broker, during the period of suspension.

- iv. In the event of any proceeding/action initiated against a Stock-Broker by a regulatory body other than the Exchange, the Exchange reserves the right to direct the Stock Broker to refrain from issuing any advertisement for such a period as it may deem fit.
 - v. The Stockbroker shall not involve/engage in games/leagues/schemes/competitions etc. which may involve distribution of prize monies/medals/gifts, etc.
 - vi. These norms shall be applicable to any other investment/consultancy agencies associated with the Stockbroker concerned and issuing advertisement wherein the Stock-Broker has been named in the advertisement.
 - vii. Copy of the advertisement shall be submitted to the Exchange at least seven days in advance before its issue.
 - viii. Further to Exchange circular ref. no. NSE/COMP/30985 dated October 21, 2015, wherein members were instructed to submit an undertaking along with every advertisement submitted for approval, the updated undertaking format in compliance with the Code of Advertisement for Stock Brokers.
- 15.7. In relation to any schemes/ leagues/ competitions, etc. launched by members or by any third party/ Group Company/ associate of the member, members are requested to ensure strict compliance with the following requirements:
- a) Stockbroker or its associates/group company cannot directly or indirectly, sponsor or be associated with any schemes/leagues/competition, etc. which may involve distribution of monies/prizes/gifts/medals, etc.
 - b) No reference to Stockbroker's name, logo, etc. can be made in any schemes/leagues/competition, etc.
 - c) Stockbroker cannot share any information of their clients with a third party, even with the clients' consent, in case any third party is involved in launching schemes/leagues/competition, etc.
 - d) Stockbroker cannot take any financial liability, including any contingent financial liability, on account of any schemes/leagues/competition, etc. launched by a third part.

The frequently asked questions on Advertisement can be accessed on NSE website at : <https://www.nseindia.com/trade/members-faqs-advertisements-by-member>.

15.8. Use of Celebrities and influencers in Advertisements

15.8.1. No celebrities shall form part of the advertisement/material. NSE circular NSE/COMP/35133 dated June 16, 2017. The below guidelines are being issued to clarify the expression “Celebrity”. As per these guidelines, the expression ‘celebrity’ means and includes any person: -

- i. who has played lead role or one of the lead roles in any movies/TV serials/ TV shows which includes but not limited to main actor, actress, child artist, villain, comedian, prominent support character.
- ii. who has been host or one of the hosts or anchor or one of the anchors for any TV programs such as quiz, cooking shows, news channels, comedy show, dance shows, song show, award functions and such other entertainment programs.
- iii. who has been winner or runner in a competitive program that has gone through a series of qualifying rounds (for elimination of competitors) which may be known as qualifying round, quarter finals, semi-finals and finals or by any other names.
- iv. Sports person who has been part of National team of the country to which he belongs or represented his country in international tournaments / events such as Olympic Games, Asian Games and competitive games at international level for that given sport, etc.
- v. Other well-known personalities like Doctors, Authors, Activists, Educationists, Politicians, Preachers, Singers, Musicians, Radio Jockeys, Businessmen, Business Managers/ leaders of repute, recipients of awards such as Padma awards, recipients of awards from international bodies, Government of India or any state government set up for recognition of special contribution to the field of expertise of such person.
- vi. Any other person who in the view of Exchange is capable influencing the opinion of viewers of the advertisement.
- vii. Notwithstanding anything contained in these guidelines, decision of Exchange shall be final in determining if the person made a part of the advertisement/material is a celebrity or not and such decision shall be final.

15.8.2. An Influencer is a person with the ability to influence potential buyers of a product or service by promoting or recommending them through social media platforms or otherwise. Any content shared by an influencer, who promote (either as a standalone content or a part of their main content) the business, products/services/brokerage plans etc. including undertaking brand promotion of the Members, shall be treated as advertisement and shall require prior approval of the Exchange. The decision of Exchange in determining if the influencer is a

celebrity or not, and whether the advertisement will be permitted, shall be final and conclusive.

15.8.3. Members are hereby advised to undertake adequate due diligence to ensure that the content used by the influencer strictly adheres to the code of advertisement prescribed by the Exchange/SEBI from time to time and prior approval of the Exchange is sought before its release.

15.9. As stipulated in NSE circular NSE/COMP/49251 dated August 10, 2021, Members are refrained from engaging in any activity or from providing a platform to their clients for buying and selling of digital gold. SEBI vide its letter dated August 03, 2021, has informed Exchange that the said activity is in contravention of the aforementioned Rule 8 (3) (f) of SCRR, and the Members should refrain from undertaking any such activities.

15.10. Members not complying with the Code for Advertisements or not seeking prior approval from the Exchange for the issue of advertisements, shall be subjected to disciplinary proceedings including but not limited to penalty of Rs. 1,00,000/- per instance (Ref: NSE circular NSE/INSP/52085 dated April 22, 2022).

16. UPGRADATION OF MEMBERSHIP

16.1. Trading Members desirous of upgrading their trading membership from individual or partnership firm to a corporate etc. should take note of the following:

- A request has to be sent by the Trading Member of the scheme of upgradation and the proposed shareholding/profit sharing pattern of the upgraded entity
- In case of an upgradation from individual to corporate, the individual should hold at least 51% of the paid-up capital of the proposed corporate.
- In case of an upgradation from partnership firm to corporate, the original partners should hold at least 51% of the paid-up capital of the proposed corporate.
- There should be at least 2 qualified designated directors/designated partners, as the case may be, who should have at least HSC or equivalent qualification with minimum 2 years' experience in stock broking related activities.
- In case of upgradation to corporate, the proposed corporate should have a minimum paid up capital of Rs. 30 lakhs and meet the net worth requirements of the Exchange from time to time.
- After the upgradation is approved by the Exchange, the Trading Member will have to pay the differential deposits as applicable to corporate Trading Members.

16.2. The application format for applying to the Exchange for upgradation of Membership is available at the following link under the section "Change in Member Details":

<https://www.nseindia.com/trade/upgrade-membership>

17. MARGIN TRADING FACILITY

- 17.1. SEBI, vide Circular No.SMD/Policy/Cir-6 dated May 07, 1997, had clarified, that borrowing & lending of funds by a trading member in connection with or incidental to or consequential upon the securities business would not be disqualified under rule/s 8(1) (f) & 8(3) (f) of Securities Contract (Regulations) Rules, 1957.
- 17.2. In view of the same, SEBI permitted Trading Members to provide margin trading facility (MTF) to their clients, in the cash segment, with effect from April 01, 2004, subject to the compliance to regulatory guidelines, issued from time to time.
- 17.3. SEBI vide its circular CIR/MRD/DP/54/2017 dated Jun 13, 2017 has revised framework for Margin Trading Facility.
- 17.4. Eligibility Requirements:
- MTF is permitted only in Capital Market segment of the Exchange.
 - Only corporate Members enabled in Capital Market segment are allowed.
 - The Member should have a net worth of at least Rs.3.00 crores, computed as per the Dr. L C Gupta method.
 - The Member shall submit to the Exchange a CA certified half-yearly networth certificate, as on 31st March & 30th September of each year, within one month from the end of the respective half years.
- 17.5. All the equity shares classified as 'Group I security' as per Section 1.1.3 of Chapter IV of SEBI Master Circular No. SEBI/HO/MRD/DP/CIR/P/117 dated October 25, 2019, are eligible for margin trading facility.
- 17.6. Members are required to collect initial margin from their clients in the form of cash, cash equivalent or Group I equity shares (with appropriate haircut)

Category of Stock	Applicable margin
Group I stock available for trading in the F & O Segment	VaR + 3 times of applicable ELM*
Group I stock other than F&O stock	VaR + 5 times of applicable ELM*

The exchange/Member, based on the risk assessment, shall have the discretion to impose/collect higher margin than the margin specified in para-4 above. Members shall ensure maintenance of the aforesaid margin at all times during the period that the margin

trading facility is being availed by the client. In case of short fall, stockbroker shall make necessary margin calls.

17.7. The stockbroker shall list out situations/conditions in which the securities may be liquidated, and such situations/conditions shall be included in the "Rights and Obligations Document". The broker shall liquidate the securities, if the client fails to meet the margin call to comply with the conditions as mentioned in this circular or specified in the "Rights and Obligations Document" specified by exchange.¹⁰ However, the broker shall not liquidate or use in any manner the securities of the client in any situation other than the conditions stipulated therein.

17.8. The following are the permitted source of funds for providing Margin funding to clients:

- i. Own Funds.
- ii. Funds Borrowed from scheduled commercial banks.
- iii. Funds Borrowed from NBFCs regulated by RBI.
- iv. Borrowings by way of issuance of Commercial Papers, subject to compliance with appropriate RBI guidelines.
- v. Borrowings by way of unsecured long-term loans from their promoters and directors, subject to the appropriate provisions of Companies Act.

Member shall not be permitted to borrow funds from any other source except listed above. Further, the Member shall not use the funds of any client for providing the margin trading facility to another client, even if the same is authorized by the first client.

17.9. Exposure and Leverage Limits

- i. Total indebtedness of a Member for the purpose of margin trading shall not exceed 5 times of its net worth.
- ii. The maximum allowable exposure of the Member towards the MTF should not exceed the borrowed funds and 50% of his Net worth;
- iii. Exposure to any single client at any point of time shall not exceed 10% of the Member's maximum allowable exposure.

17.10. Members shall be required to comply with the following conditions:

- i. The stocks deposited as collateral with the Member for availing margin trading facility (Collaterals) and the stocks purchased under the margin trading facility (Funded stocks) shall be identifiable separately and no comingling shall be permitted for the purpose of computing funding amount;

- ii. Collateral and Funded stocks shall be marked to market on a daily basis.
- iii. In case of increase in the value of Collaterals, Member may have the option of granting further exposure to their clients subject to applicable haircuts.
- iv. However, no such exposure shall be permitted on the increased value of Funded stocks.

17.11. Disclosure Requirement

- i. The stock broker shall disclose to the stock exchanges details on gross exposure towards margin trading facility including name of the client, Category of holding (Promoter/promoter group or Non-promoter), clients' Permanent Account Number ("PAN"), name of the scrips (Collateral stocks and Funded stocks) and if the stock broker has borrowed funds for the purpose of providing margin trading facility, name of the lender and amount borrowed, on or before 12 noon on the following trading day.
- ii. W.e.f. November 24, 2021, the reporting for daily margin trading shall be done only through the said digital portal (<https://digitalexchange.nseindia.com>). The same can be accessed by clicking "MTR Submission" under the Regulatory tab on the digital portal workspace. The process of uploading daily margin trading file is provided in NSE circular NSE/COMP/50280 dated November 11, 2021.

17.12. Maintenance of Records

- i. The Members shall maintain separate client-wise ledgers for funds and securities of clients availing margin trading facility.
- ii. The Member shall maintain a separate record of details of the funds used and sources of funds for the purpose of margin trading.
- iii. The books of accounts, maintained by the broker, with respect to the margin trading facility offered by it, shall be audited on a half yearly basis. The Member shall submit an auditor's certificate to the exchange within one month from the date of the half year ending 31st March and 30th September of a year certifying, inter alia, the extent of compliance with the conditions of margin trading facility. This certificate is in addition to the certificate on net worth to be submitted within one month from the end of the respective half year.

17.13. Other Conditions

- i. Members shall take adequate care and exercise due diligence before providing margin trading facility to any client.

- ii. Any disputes arising between the client and the Members in connection with the margin trading facility shall have the same treatment as normal trades and should be covered under the investor grievance redressal mechanism, arbitration mechanism of the stock exchange.
- iii. SGF and IPF shall be available for transactions done on the exchange, whether through normal or margin trading facility. However, any losses suffered in connection with the margin trading facility availed by the client from the Members shall not be covered under IPF.
- iv. The Members wishing to extend margin trading facility to their clients shall be required to obtain prior permission from the exchange where the margin trading facility is proposed to be offered. The exchange shall have right to withdraw this permission at a later date, after giving reasons for the same.

17.14. The Exchange vide circular ref. no. NSE/COMP/44854, dated July 02, 2020, has announced the launch of a new module- 'Margin Trading Approval/Withdrawal' on ENIT New Compliance with effect from July 02, 2020. Members intending to avail approval/withdrawal for margin trading facility shall submit their application electronically through cited module. No hard copy applications will be accepted from July 02, 2020, onwards. Proforma for application format is made available on NSE website: Home>Trade>Resources for Members>All Formats>Format for Margin Trading Approval/Withdrawal.

17.15. A detailed frequently asked questions (FAQ) has been provided in NSE circular NSE/COMP/48531 dated June 09, 2021, and the same is available the following link on the NSE website: <https://www.nseindia.com/trade/members-faqs-margin-trading-facility>

18. AUTHORISED PERSON**18.1. Who is an “Authorised Person”?**

Any person - individual, partnership firm, LLP or body corporate – who is appointed as such by a stock broker (including trading member) and who provides access to trading platform of a stock exchange as an agent of the stock broker.

18.2. Appointment of Authorised Person

A Member may appoint one or more authorised person(s) after obtaining specific prior approval from the stock exchange concerned for each such person. The approval as well as the appointment shall be for specific segment of the exchange.

18.3. Eligibility Criteria

An individual is eligible to be appointed as authorised person if he:

- a) is a citizen of India;
- b) is not less than 18 years of age;
- c) has not been convicted of any offence involving fraud or dishonesty;
- d) has good reputation and character.
- e) has passed at-least 10th standard or equivalent examination from an institution recognized by the Government; and
- f) has the certification, as applicable to approved user / sales personnel of the respective segment and undertakes to continue to have valid certification thereafter.

18.4. A partnership firm, LLP or a body corporate is eligible to be appointed as authorized person

- a) if all the partners or directors, as the case may be, comply with the requirements contained in clause 4.1 above.
- b) the object clause of the partnership deed or of the Memorandum of Association contains a clause permitting the person to deal in securities business.

18.5. The person shall have the necessary infrastructure like adequate office space, equipment and manpower to effectively discharge the activities on behalf of the Member.

18.6. Conditions of Appointment

The following are the conditions of appointment of an authorised person:

- a) The Member shall be responsible for all acts of omission and commission of the authorized person.
- b) All acts of omission and commission of the authorized person shall be deemed to be those of the Member.
- c) The authorized person shall not receive or pay any money or securities in its own name or account. All receipts and payments of securities and funds shall be in the name or account of Member.
- d) The authorised person shall receive his remuneration - fees, charges, commission, salary, etc. - for his services only from the Member and he shall not charge any amount from the clients.
- e) A person shall not be appointed as authorized person by more than one Member on the same stock exchange.
- f) A partner or director of an authorised person shall not be appointed as an authorised person on the same stock exchange.
- g) The Member and authorised person shall enter into written agreement(s) in the form(s) specified by Exchange. The agreement shall inter-alia cover scope of the activities, responsibilities, confidentiality of information, commission sharing, termination clause, etc.
- h) An Authorised person can only act as a facilitator and provide administrative assistance to the clients of the Member in accessing the trading platform of the Stock Exchange, failing which the Authorised person and its Directors/partners shall be liable for appropriate disciplinary actions including cancellation of their registration, debarment from the securities market etc.

18.7. Withdrawal of Approval

Approval given to an authorised person may be withdrawn by the stock exchange:

- a) on receipt of a request to that effect from the Member concerned or the authorised person, subject to compliance with the requirements prescribed by the stock exchange, or

- b) on being satisfied that the continuation of authorised person is detrimental to the interest of investors or securities market or the authorised person at a subsequent date becomes ineligible under clause 4 above.

18.8. Obligations of Member

- a) The Member shall be responsible for all acts of omission and commission of his authorised person(s) and/or their employees, including liabilities arising there from.
- b) If any trading terminal is provided by the Member to an authorised person, the place where such trading terminal is located shall be treated as branch office of the stock broker.
- c) Member shall display at each branch office additional information such as particulars of authorised person in charge of that branch, time lines for dealing through authorised person, etc., as may be specified by the stock exchange.
- d) Member shall notify changes, if any, in the authorised person to all registered clients of that branch at least thirty days before the change.
- e) Member shall conduct periodic inspection of branches assigned to authorised persons and records of the operations carried out by them.
- f) The client shall be registered with Member only. The funds and securities of the clients shall be settled directly between Member and client and all documents like contract note, statement of funds and securities would be issued to client by stock broker. Authorised person may provide administrative assistance in procurement of documents and settlement but shall not issue any document to client in its own name. No fund/securities of clients shall go to account of authorized person.
- g) Members shall exercise adequate control and due diligence over the activities & transactions of their Authorised Persons (APs) and conduct their periodic inspection in the manner as specified therein.
- h) On noticing irregularities, if any, in the operations of authorised person, Member shall seek withdrawal of approval, withhold all moneys due to authorised person till resolution of investor problems, alert investors in the location where authorised person operates, file a complaint with the police, and take all measures required to protect the interest of investors and market.
- i) Members are required to exercise adequate control and due diligence over the activities & transactions of their Authorised persons. Member shall conduct periodic inspection of their Authorised Persons and records of the operations carried out by them in accordance with Exchange circular dated October 18, 2019 (Ref NSE/INSP/42448NSE/INSP/42448). On noticing irregularities, if any, Member shall take necessary measures as stipulated in the aforementioned SEBI circular, including

cancellation of the AP registration through ENIT and selecting the reason as “Disciplinary action” along with providing the necessary details.

- j) Members should ensure that their Authorised Persons are engaging only in permitted activities and are not undertaking any business which are disallowed under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges including operating any schemes of unauthorised collective investments/portfolio management, promising indicative/guaranteed/fixed returns etc. It is, hereby, reiterated that all the acts of omission and commission of the Authorized person and/or their Directors/Partners, employees etc., shall be deemed to be those of the Member and the Member shall be responsible for all such acts of its Authorised person(s) and/or their Directors/Partners, employees etc., including liabilities arising there from.
- k) Members should undertake necessary due diligence & background screening of the applicants at the time of their onboarding as an AP. Members should restrict entities with names which may mislead clients/investors, including names with “Portfolio/wealth management/advisory” without a valid SEBI registration. The Exchange shall reject any AP application, where it is of the opinion that the name of the applicant is misleading or does not reflect the activities permitted to be undertaken by an AP.

I) Inspection of Authorised Persons

- i. As per NSE circular NSE/INSP/42448 dated October 18, 2019, Trading Member shall be required to inspect every year at least 30% of its active Authorized Persons and also ensure that each active AP are inspected at least once in every three years. For this purpose, an active AP would mean one who have executed even a single transaction during financial year and is engaged in servicing the clients.
- ii. APs meeting any of the below criteria shall be inspected annually, irrespective of when the last inspection was carried out:
 - a) APs/Branches with more than 500 registered clients across Exchanges
 - b) APs with more than 20 trading terminals and Branches with more than 50 trading terminals, across all segments/Exchanges.
 - c) APs/Branches against which more than 3 complaints have been received during the previous year.
- iii. In case of any inputs/alerts about any suspicious transactions/dealing/assured returns etc. by an AP, Members shall carry out an immediate inspection, irrespective of when the last inspection was carried out and initiate appropriate action.

- iv. The indicative scope of the Inspection to be carried out is outlined in NSE circular NSE/INSP/42448 dated October 18, 2019
- v. Members are required to report the details of the inspections/supervision undertaken by the Members through ENIT (Ref NSE/COMP/50030 dated October 21, 2021). The same can be accessed at <https://enit.nseindia.com/MemberPortal/> at the following path: Compliance Tab → Authorised Persons → Inspection of Authorised Persons. The reporting shall be done in the following manner:
 - a) All inspections undertaken during a financial year including the quantum should comply with guidelines prescribed in Exchange circular NSE/INSP/42448 dated October 18, 2019.
 - b) Inspections undertaken during a particular quarter shall be reported within one month from end of the said quarter. For instance:

Inspections undertaken during the FY	Due date of reporting
Inspections done during the Quarter-1	July 31, XXXX
Inspections done during the Quarter-2	Oct 31, XXXX
Inspections done during the Quarter-3	Jan 31, XXXX
Inspections done during the Quarter-4	April 30, XXXX

- vi. Members are also hereby notified that they shall be mandatorily required to report any incidence, observed by them, involving assured returns or any unauthorised schemes operated by the AP, to the Exchange, within 2 working days. The reporting shall be made electronically through the link as provided in para 2 above i.e., <https://enit.nseindia.com/MemberPortal/>. Members, additionally, shall also take necessary measures, as mentioned in SEBI circular MIRSD/DR-1/Cir-16/09 dated November 06, 2009, including filing of police complaint, upon noticing such incidence. Exchange may also require Members to obtain confirmation from their clients that there are no claims against such AP.

m) Reporting of clients mapped to Authorised person

- i. Members are required to upload the details of clients mapped to the Authorised Persons, if any, against the respective APs in the Exchange database, as per the following timelines (NSE/COMP/49509 dated September 03, 2021):
 - a. Members shall be required to upload, latest by November 05, 2021, the details of all the clients (registered upto October 31, 2021) and mapped to AP, if any.

- b. For new clients registered w.e.f. November 01, 2021, the details shall be uploaded on a weekly basis, on or before the next 2 trading days of subsequent week. For e.g., the clients registered from November 01, 2021, to November 05, 2021, shall be uploaded by November 09, 2021, and for the week ending November 12, 2021, by November 16, 2021, and so on.
- ii. The details shall be reported electronically through ENIT using the following link: - ENIT- Compliance – Membership – Authorised Persons. Members are advised to ensure that details of the clients reported should match with the Exchange UCC records. The mode of uploading the client data is provided in NSE circular NSE/COMP/49509 dated September 03, 2021.

19. APPOINTMENT OF COMPLIANCE OFFICER AND UPDATION OF PAN OF KMPs

- 19.1. As per Regulation 18A of Chapter IV of SEBI (Stock-Broker) regulation, 1992 and NSE circular NSE/MEM/3441 dated June 14, 2002, wherein all Members are required to appoint a compliance officer and intimate the details to the Exchange.
- 19.2. As per SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, in case of any change in the PAN of Directors, and Key Management Personnel, members are required to intimate the Stock Exchanges within seven days of such change.
- 19.3. Members shall undertake the intimation/updation of compliance officer and KMP details have through the digital portal (<https://digitalexchange.nseindia.com>). The process for the same is available in NSE circular NSE/COMP/49797 dated October 01, 2021.
- 19.4. The disciplinary action for not intimating/updation of Compliance Officer/KMP details is prescribed in Exchange circular ref. no NSE/INSP/52085 dated April 22, 2022.

20. TERMINALS ABROAD

- 20.1. Members who wish to open terminals abroad are required to seek approval of the Exchange in accordance with the Rules, Regulations and Bye-Laws of the Exchange. Also, such members are required to comply with the relevant guidelines issued by SEBI / RBI / Foreign Regulatory Authorities etc. for opening and maintaining the trading terminals abroad (NSE/MSD/34638 dated April 13, 2017).
- 20.2. Eligibility Criteria:
- Trading terminals shall be opened only by the SEBI registered Members of the Exchange only after obtaining permission from the Exchange. Opening of terminals through Authorised Person is not permitted.
- 20.3. RBI Permission:
- Terminals abroad opened shall be subject to the guidelines laid down by the RBI. Members are required to comply with all the circulars / guidelines / rules etc. issued by RBI from time to time.

20.4. Permission by the Foreign Regulatory Authorities:

Installation of trading terminals shall be subject to prior permission of the concerned regulatory authorities of the respective foreign countries, wherever required. Members shall comply with the requirements as mentioned above and submit copy of such approvals granted to them by the Foreign Regulatory Authorities along with their application for seeking final approval to the Exchange.

20.5. Operation of the terminals:

Any investor abroad who is permitted to invest in India i.e. NRIs/OCBs/FIIs/PIOs shall be able to place orders on the trading terminal of the Exchange available at the office of the member maintained abroad. The order feed on the live terminal shall be executed on the computer of the Exchange in India. The service to the clients shall be provided by the broker's overseas office and its local office. These terminals shall include any of other options that the Exchange may provide for connecting its trading terminal abroad to its trading system in India.

20.6. Contract Note:

The contract note in favour of the client abroad shall be issued in India. However, the same could be printed in the trading member's office abroad and shall be subject to the jurisdiction of the Exchange.

20.7. Capital Adequacy, Margins System & Brokerage:

All such trades would be subject to usual margins, capital adequacy and intra-day trading limits and such other requirements fixed for the trading member by the Exchange. Trading member shall ensure that the investors do not pay the brokerage on such trades exceeding the maximum brokerage permitted as per the rules, regulations and bye-laws of the Exchange. No Negotiated Deals shall be permitted through these terminals and only screen-based order matching system shall be available on these terminals.

20.8. Settlement Procedure:

All trades shall be settled in India in dematerialized form only. Clients with status of FIIs shall settle the trade through their registered custodian/ designated bank. Clients with the status of NRIs/PIOs/OCBs shall settle the trade through a designated bank. Such a designated bank shall be responsible for repatriation of funds.

20.9. Monitoring & Surveillance:

Trading members shall ensure that there is adequate monitoring and surveillance mechanism for such overseas terminals in order to oversee trades.

20.10. Grievance Redressal Mechanism:

The investors' grievance for such cases shall be resolved through the existing grievance redressal mechanism.

20.11. Jurisdiction:

Trading members shall sign an agreement with their constituents. inter alia, stating that, all trades, transactions and contracts are subject to the Rules, Bye Laws and Regulations of the Exchange and shall be deemed to be and shall take effect as wholly made, entered into and to be performed in the stated city of India and the parties to such trade shall be deemed to have submitted to the jurisdiction of the Courts in Mumbai, India for the purpose of giving effect to the provisions of the Rules, Bye Laws and Regulations of the Exchange.

20.12. List of documents to be submitted to the Exchange while seeking approval for opening of branch with terminals abroad :

- a. Bank approval for opening branch/office abroad under FEMA regulations
- b. Approval letter granted for opening branch/office from the concerned authorities of the respective foreign countries
- c. Letter on letter head of TM that all relevant RBI guidelines will be complied
- d. Letter on letter head of TM that all relevant SEBI guidelines wrt opening of trading terminals abroad will be complied vide letter SMDRP/POLICY/TTA-14072/99 dated July 10,1999 and any revision thereafter
- e. Letter on letter head of TM that all relevant Exchange Rules, Regulations and Byelaws will be complied, and terminals will not be given through Authorised Persons.
- f. Details of connectivity for terminals abroad
- g. Letter/undertaking that all terminals allotted to dealers in overseas office will be reported to the Exchange in the prescribed format and all dealers will hold valid certification
- h. Letter asking for granting approval for locating terminals abroad along-with location where the terminals will be located.

21. TRADE THROUGH OTHER MEMBERS

21.1. As per SEBI Circular SEBI/MIRSD//Cir-06/2004 dated January 13, 2004, and Regulation 2.1.12 and 2.1.16 of NSEIL (Capital and F&O segment):

- i. A Member of an exchange cannot deal with Members of the same exchange either for proprietary trading or for trading on behalf of clients, except with the prior permission of the exchange. The stock exchanges while giving such permission, shall consider the reasons stated by the brokers/sub brokers for dealing with brokers/sub brokers of the same exchange and after carrying out due diligence allow such brokers/sub brokers to deal with only one stockbroker/sub broker of the same exchange.
- ii. A Member of an exchange can deal with only one Member of another exchange for proprietary trading after intimating the names of such Member to his parent stock exchange.

21.2. The format for making application to the Exchange is available at the following link <https://www.nseindia.com/trade/membership-formats> under the “Format for applying trade through other Member” section.

21.3. Monetary penalty of Rs. 30,000/- per member will be levied where the account is opened with other member without intimation to Exchange (Ref: NSE circular NSE/INSP/52085 dated April 22, 2022)

22. Guidelines for seeking NOC by Stock Brokers / Clearing Members for setting up Wholly Owned Subsidiaries, Step Down Subsidiaries, Joint Ventures in GIFT IFSC

SEBI vide Circular ref. no. SEBI/HO/MIRSD/DoR/P/CIR/2022/61 dated May 13, 2022 issued guidelines for granting NOCs for setting up Wholly Owned Subsidiaries, Step Down Subsidiaries, Joint Ventures, etc. in GIFT IFSC.

Stock Brokers and Clearing Members shall apply through a Stock Exchange where the applicant is a member, along with the required information, documents and NOC received from all Stock Exchanges/Clearing Corporations/Depositories in which the applicant is a member/participant. The format of the application is provided at Annexure A of the said SEBI Circular.

Submission of application at NSE

The members of the Exchange are required to submit the below documents along with the documents prescribed by SEBI (Annexure A of SEBI circular) to obtain NOC:

1. Request Letter addressed to Exchange on the letter head of the member
2. Board Resolution
3. Status Report of Stock Exchanges

ITEM No. 4: MANDATORY SUBMISSIONS
23. SUBMISSION OF HALF YEARLY NET-WORTH CERTIFICATE

- 23.1. As per Regulation 9 of SEBI (Stockbrokers) Regulations, 1992 and the continuing membership norms of the Exchange, all Members are required to maintain the prescribed minimum networth all times and submit the Net-worth certificate on a half yearly basis to the Exchange.
- 23.2. Member shall be required to submit the half yearly networth within 2 months from the end of the respective half year i.e. for the Half year ending March, the due date shall be May 31st and for the Half year ending September, the due date shall be November 30th. Exchange circular NSE/COMP/47735 dated March 24, 2021, stipulates the disciplinary action in case of Net worth shortfall and non-submission of Networth. The details are as under:

a. Action for reporting shortfall in Networth

ACTION FOR REPORTING SHORTFALL IN NETWORTH	
For Trading members and Trading cum Self-clearing members	<u>Requirement:</u> In case of a Net Worth shortfall as on 31st March / 30th September, Members shall be required to mandatorily submit a revised certificate (as on a later date) along with the submission, meeting the minimum net worth requirement. <u>Action in case of shortfall and failure to submit revised certificate with adequate Net worth:</u> Member's trading rights shall be immediately disabled within 2 working days from the date of submission, in all segments of the Exchange.

For Trading cum Clearing members	<u>Requirement:</u> In case of a Net Worth shortfall as on 31st March / 30th September, Members shall be required to mandatorily submit a revised certificate (as on a later date) along with the submission, meeting the minimum net worth requirement. <u>Action in case of shortfall and failure to submit revised certificate with adequate Net worth:</u> A. <u>In the capacity of Trading Member</u> Member's trading rights shall be immediately disabled within 2 working days in all segments of the Exchange. B. <u>In the capacity of Clearing Member</u> One-month notice to be given to recoup the Networth and submit the revised Network, failing which the following action shall be initiated: • Total deposits shall be blocked in accordance to % of shortfall as given in Section C below. No Exposure shall be permitted on such blocked deposit • Restriction on onboarding new Trading Members. • 2-months' notice to be given to the TMs affiliated with the Clearing member to associate with another Clearing member.
For PCM	<u>Requirement:</u> In case of a Net Worth shortfall as on 31st March / 30th September, Members shall be required to mandatorily submit a revised certificate (as on a later date) along with the submission, meeting the minimum net worth requirement. <u>Action in case of shortfall and failure to submit revised certificate with adequate Net worth:</u> One-month notice to be given to recoup the Networth and submit the revised Network. Upon failure: • Total deposits shall be blocked in accordance to % of shortfall (See note-1 below). No Exposure shall be permitted on such blocked deposit • Restriction on onboarding new Trading Members. • 2-months' notice to be given to the TMs affiliated with the Clearing member to associate with another Clearing member.

Members providing Margin Trading Facility	Requirement: In case of a Net Worth shortfall as on 31st March / 30th September, Members shall be required to mandatorily submit on ENIT, a revised certificate (as on a later date) along with the submission, meeting the minimum net worth requirement. Action in case of shortfall and failure to submit revised certificate with adequate Net worth: Immediate withdrawal of Margin Trading facility within 2 working days from the date of submission.
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Note-1:

Category	Deposit to be blocked
Networth shortfall less than or equal to 10% of the prescribed minimum	10% of Total Deposits (cash and collateral)
Networth shortfall less than or equal to 20% of the prescribed minimum.	25% of Total Deposits (cash and collateral)
Networth shortfall less than or equal to 50% of the prescribed minimum	50% of Total Deposits (cash and collateral)
Networth shortfall greater than 50%	90% of Total Deposits (cash and collateral)

b. Action for non-submission of Networth

ACTION FOR NON-SUBMISSION	
For Trading members and Trading cum Self-clearing members	Immediate disablement within two working days from the date of submission, in case of non-submission of Networth within 2 months from the end of the half year

For Trading cum Clearing member	The following actions shall be taken on immediate basis if the Networth is not submitted within 2 months from the end of the half year. A. <u>In the capacity of Trading Member</u> Member's trading rights shall be immediately disabled in all segments of the Exchange. B. <u>In the capacity of Clearing Member</u> • 90% of Clearing deposits shall be blocked. No Exposure shall be permitted on such blocked deposit • Prohibition on onboarding new Trading Members. • 2-month's notice to be given to the TMs affiliated with the Clearing member to associate with another Clearing member.
For PCM	The following actions shall be taken on immediate basis w.e.f. the following working day post the due date. • 90% Total deposits shall be blocked • Restriction on onboarding new Trading Members. • 2-months' notice to be given to the TMs affiliated with the Clearing member to associate with another Clearing member.
Members providing Margin Trading Facility	Immediate withdrawal of Margin Trading facility within 2 working days post the due date

23.3. For members providing Margin trading facility (MTF) to their clients, Members are required to submit the HY networth within one month from the end of respective half year.

23.4. As per NSE Circular Ref No. NSE/COMP/29604 dated April 30, 2015, the Networth is required to be computed as per the method of computation specified by Dr. L.C. Gupta Committee Report.

23.5. The half yearly Networth certificate is required to be submitted through ENIT.

23.6. Amendment to SEBI (Stockbroker) Regulation, 1992:

23.6.1. SEBI has, vide official gazette dated Feb 23, 2022, amended the SEBI (Stockbroker) Regulation with respect to the Networth requirements. As per amendments, Members have to maintain Networth equivalent to the higher of

the Base Network or Variable Network. Variable network shall mean 10% of average daily cash balance of clients retained with the member across segments/ exchanges in the previous 6 months.

Type of Member	Base Network {within 1 year of the date of notification of EBI Stockbrokers) (Amendment) Regulations, 2022} (in ₹)	Base Network {within 2 years of the date of notification of the SEBI (Stockbrokers) (Amendment) Regulations, 2022} (in ₹)	Variable Network {within 1 year of the date of notification of the SEBI (Stockbrokers) (Amendment) Regulations, 2022}
Trading Member	-	1 crore	10% of average daily cash balance of clients retained with the member across segments/ exchanges in the previous 6 months.
Self-Clearing Member	3 crores*	5 crores	
Clearing Member	10 crores*	15 crores	
Professional Clearing Member	25 crores	50 crores	

* In Currency Derivative Segment, Self-Clearing Member and Clearing Member shall have minimum network of Rs. 5 crores and Rs. 10 crores, respectively.

- 23.6.2. Where the trading member/ self-clearing member deposits the fund with the clearing member/ professional clearing member/ clearing corporation, the maintenance of variable network would not be required by that trading member/ self-clearing member to the extent of client's funds deposited with clearing member/ professional clearing member/ clearing corporation.
- 23.6.3. Where the trading member deposits the client's funds with clearing member/professional clearing member, the computation of variable network at the level of clearing member/ professional clearing member shall also include the funds of the clients of trading member deposited with the clearing member/ professional clearing member.
- 23.6.4. Where the self-clearing member/ clearing member/ professional clearing member deposits the client's funds with the clearing corporation, the same shall be excluded while calculating the variable network at the level of the self-clearing member/ clearing member/ professional clearing member:
- 23.6.5. Cash / Fixed Deposit Receipts/ Bank Guarantee accepted by trading member/ self-clearing member/ clearing member/ professional clearing member shall be included while calculating the variable network.

- 23.6.6. Cash / Fixed Deposit Receipts/ Bank Guarantee of clients deposited by trading member with clearing member/ professional clearing member and by self-clearing member/ clearing member/ professional clearing member with the clearing corporation shall be excluded while calculating the variable networth.
- 23.6.7. For the purposes of this amendment, 'base networth' shall mean paid up capital, fully, compulsorily and mandatorily convertible debentures / bonds / warrants which are convertible within a period of 5 years from the date of issue, free reserves and other securities approved by the Board from time to time, but shall not include fixed assets, pledged securities, value of member's card, non-allowable securities (unlisted securities), bad deliveries, any debts and advances (except trade debtors of less than 3 months), prepaid expenses, losses, intangible assets and 30% value of marketable securities:
- 23.6.8. Provided that in case of securities pledged to clearing corporation, the post haircut value of shares owned by the Trading Member / Clearing Member, as may be specified by the Board from time to time, shall be considered for computation of the networth.
- 23.6.9. Provided further that the deposit requirement specified for the debt segment shall not be applicable when a clearing member clears and settles all the trades only on gross basis for both securities and funds, without using settlement or trade guarantee fund:
- 23.6.10. Provided further that where the stock broker, clearing member or self-clearing member in the debt segment, is also regulated by a sectoral regulator other than the Board, the networth shall be computed in the manner as specified by such sectoral regulator or as specified by the Board, whichever is higher.
- 23.6.11. Free reserves shall include Profit and Loss, General Reserve, Securities Premium, Preference Share Redemption Reserve and Capital Redemption Reserve, but shall not include reserves created by revaluation of assets.
- 23.6.12. The provision/amendments stated in clause 22.6 shall be applicable within within one/2 years from the date of the gazette notification respectively i.e. by Feb 23, 2023/Feb 23, 2024 respectively

24. SUBMISSION OF ANNUAL RETURNS

- 24.1. As per the Bye laws / Regulations of the Exchange all trading members are required to submit Annual Returns i.e. Audited Balance sheet, Profit & Loss Account, details in respect of Shareholding, Directors, Net-worth Certificate etc. for the financial year ending on 31st March on or before October 31 of the subsequent financial year or such due date as may be specified from time to time.
- 24.2. The annual returns shall be submitted through the digital portal (<https://digitalexchange.nseindia.com>).
- 24.3. All members are required to ensure that they submit the Annual Returns, on or before the due date specified, in order to avoid any late / non-submission charges. Further, Non-submission of any of the documents forming part of the Annual Return or submission of documents not in the prescribed formats would be construed as non-submission of Annual Returns. Non-submission charges would be levied as mentioned below (Ref: *NSE circular NSE/INSP/52085 dated April 22, 2022*):
- i. Rs. 5,000 per day for the first 15 days after due date
 - ii. Rs. 10,000 per day for the next 15 days

In case of non-submission within 30 days from the due date of submission, TM shall be debarred from taking new clients till the date of submission.

If member fails to submit within 60 days from the due date of submission, trading rights shall be withdrawn in all segments immediately till the date of submission. In case of a repeat instance by the Member, the monetary penalty shall be levied along with an escalation of 50%.

- 24.4. As per SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, Members shall submit financial statements to Stock Exchanges in the same format as prescribed under Companies Act, 2013, irrespective of whether they fall under the purview of Companies Act, 2013 or not. The due date for submission of the aforesaid financial statements to Stock Exchanges shall be the same as prescribed under Companies Act, 2013 for submission to Registrar of Companies
- 24.5. No Member shall appoint or re-appoint—
- a) an individual as statutory auditor for more than one term of five consecutive years, and

- b) an audit firm as statutory auditor for more than two terms of five consecutive years:
- 24.6. An individual statutory auditor who has completed his term under clause 21.5 (a) above shall not be eligible for re-appointment as statutory auditor in the same stockbroker for five years from the completion of his term.
- 24.7. A statutory audit firm which has completed its term under clause 21.5 (b) above, shall not be eligible for re-appointment as statutory auditor in the same stock- broker for five years from the completion of such term. As on the date of appointment no statutory audit firm having a common partner or partners to the other audit firm, whose tenure has expired in a stock broker immediately preceding the financial year, shall be appointed as statutory auditor of the same stock broker for a period of five years.

25. MANDATORY INSURANCE COVER

- 25.1. As per SEBI directive dated January 19, 1996 (ref no. SMD/SED/RCG/270/96), it is mandatory for every trading member to have an insurance cover. Hence, Trading Members are required to submit the proof of their Stock-Brokers Indemnity Policy to the Exchange on or before 31st July of every year, for policies expiring on May 31. Trading members with Policy expiring on any date other than May 31, will be granted a period of one month from the expiry date to submit the renewed policy details.
- 25.2. Submissions of Insurance Policy are required to be made by way of upload in electronic format through ENIT.
- 25.3. Members who fail to submit the details on ENIT within the prescribed timelines, would be treated as non-compliance and attract a levy of late submission charges of Rs.1000/- per day till the date of submission of proof of renewal of insurance cover. (Ref: *NSE circular NSE/INSP/52085 dated April 22, 2022*).

26. SUBMISSION OF QUARTERLY ARTIFICIAL INTELLIGENCE & MACHINE LEARNING (AIML) DETAILS

26.1. In terms of SEBI circular SEBI/HO/MIRSD/DOS2/CIR/P/2019/10 dated January 04, 2019, Members, offering or using applications or systems as mentioned below are required to report w.r.t AI / ML based application or system, on quarterly basis within 15 calendar days of the expiry of the quarter:

Applications and Systems belonging but not limited to following categories or a combination of these:

- i. Natural Language Processing (NLP), sentiment analysis or text mining systems that gather intelligence from unstructured data. –In this case, Voice to text, text to intelligence systems in any natural language will be considered in scope. Eg: robo chat bots, big data intelligence gathering systems.
- ii. Neural Networks or a modified form of it. –In this case, any systems that uses a number of nodes (physical or software simulated nodes) mimicking natural neural networks of any scale, so as to carry out learning from previous firing of the nodes will be considered in scope. Eg: Recurrent Neural networks and Deep learning Neural Networks
- iii. Machine learning through supervised, unsupervised learning or a combination of both. –In this case, any application or systems that carry out knowledge representation to form a knowledge base of domain, by learning and creating its outputs with real world input data and deciding future outputs based upon the knowledge base. Eg: System based on Decision tree, random forest, K mean, Markov decision process, Gradient boosting Algorithms.
- iv. A system that uses statistical heuristics method instead of procedural algorithms or the system /application applies clustering or categorization algorithms to categorize data without a predefined set of categories
- v. A system that uses a feedback mechanism to improve its parameters and bases it subsequent execution steps on these parameters.
- vi. A system that does knowledge representation and maintains a knowledge base.

26.2. The reporting shall be undertaken electronically through digital portal (<https://digitalexchange.nseindia.com>). The members who don't use AI-ML based systems are also required to submit the “Nil” report.

26.3. Members who fail to submit the details within the prescribed timelines, would be treated as non-compliance and attract a levy of non-submission charges of Rs.10,000/- for each quarter (w.e.f July 01, 2022. Kindly refer to NSE circular NSE/INSP/52085 dated April 22, 2022).

27. Reporting of Authorised Person Inspection and UCC details

Inspection details

27.1. Members are required to report the details of the inspections/supervision undertaken by the Members through ENIT (Ref NSE/COMP/50030 dated October 21, 2021). The same can be accessed at <https://enit.nseindia.com/MemberPortal/> at the following path: Compliance Tab → Authorised Persons→ Inspection of Authorised Persons. The reporting shall be done in the following manner:

- a) All inspections undertaken during a financial year including the quantum should comply with guidelines prescribed in Exchange circular NSE/INSP/42448 dated October 18, 2019.
- b) Inspections undertaken during a particular quarter shall be reported within one month from end of the said quarter. For instance:

Inspections undertaken during the FY	Due date of reporting
Inspections done during the Quarter-1	July 31, XXXX
Inspections done during the Quarter-2	Oct 31, XXXX
Inspections done during the Quarter-3	Jan 31, XXXX
Inspections done during the Quarter-4	April 30, XXXX

- c) Members are also hereby notified that they shall be mandatorily required to report any incidence, observed by them, involving assured returns or any unauthorised schemes operated by the AP, to the Exchange, within 2 working days. The reporting shall be made electronically through the link as provided in para 2 above i.e., <https://enit.nseindia.com/MemberPortal/>. Members, additionally, shall also take necessary measures, as mentioned in SEBI circular MIRSD/DR-1/Cir-16/09 dated November 06, 2009, including filing of police complaint, upon noticing such incidence. Exchange may also require Members to obtain confirmation from their clients that there are no claims against such AP.

27.2. The following actions shall be initiated in case of non-compliance w.r.t reporting of inspection details (Ref: *NSE circular NSE/INSP/52085 dated April 22, 2022*):

Delay in reporting of AP inspection to the Exchange

Monetary penalty of Rs. 10,000/- per day after the due date. In case of a repeat instance by the Member the monetary penalty shall be levied along with escalation of 50%.

Incorrect submission of information

Monetary penalty of Rs. 25,000/-. Additional disciplinary action shall be taken in case of submission of materially incorrect information. In case of a repeat instance by the Member the monetary penalty shall be levied along with escalation of 50%.

Reporting of UCC

27.3. Members are required to upload the details of clients mapped to the Authorised Persons, if any, against the respective APs in the Exchange database, as per the following timelines (NSE/COMP/49509 dated September 03, 2021):

- a. Members shall be required to upload, latest by November 05, 2021, the details of all the clients (registered upto October 31, 2021) and mapped to AP, if any.
- b. For new clients registered w.e.f. November 01, 2021, the details shall be uploaded on a weekly basis, on or before the next 2 trading days of subsequent week. For e.g., the clients registered from November 01, 2021, to November 05, 2021, shall be uploaded by November 09, 2021, and for the week ending November 12, 2021, by November 16, 2021, and so on.

27.4. The details shall be reported electronically through ENIT using the following link: - ENIT-Compliance – Membership – Authorised Persons. Members are advised to ensure that details of the clients reported should match with the Exchange UCC records. The mode of uploading the client data is provided in NSE circular NSE/COMP/49509 dated September 03, 2021.

27.5. In case of Non reporting/partial reporting of UCC details a monetary penalty of Rs. 2 lakh shall be levied. In case of a repeat instance by the Member the monetary penalty shall be levied along with escalation of 50%. (Ref: *NSE circular NSE/INSP/52085 dated April 22, 2022*)

ITEM No. 4: FEES/CHARGES AND DISCIPLINARY ACTIONS

The following fees/charges, plus applicable taxes shall be levied for respective applications/processes:

S. No.	Profile	Fees
1	New Membership	- Processing Fee – Rs. 10,000/- - Admission Fee- Rs. 5,00,000/- - SEBI Processing Fee- Rs. 50,000/- - SEBI Clearing Fee- Rs. 50,000/- per clearing/self-clearing segment
2	Additional segment	SEBI Clearing Fee- Rs. 50,000/- per clearing/self-clearing segment
3	Change in Shareholding and Change in Profit/Loss Sharing Ratio	Processing Fee - Rs. 1,000/- per application
4	Change in Control	Processing Fee - Rs. 5,00,000/- per application
5.	Change in constitution	Nil
6	Change in Director and Change in Partners	- Processing Fee – Rs. 1,000/- per Non-Designated Director/ordinary partner - Rs 2,000 per Designated Director /Designated Partner/Managing Partner
7	Change in Name	Processing Fess- Rs. 2000/- per application
8	Change in Registered Office Address	Processing Fee – Rs. 1,000/- per application
9	MTF Approval/Withdrawal	Nil
10	Trade through other member approval	Nil
11	Voluntary Disablement/ Re-enablement	Nil
12	Approval of Advertisement	Processing Fee- Rs. 3,000 per approval
13	Updation of Compliance Officer	Nil
14	Total Surrender	Processing Fess- Rs. 1,00,000
15	Segmental Surrender	Processing Fess- Rs. 50,000/- per segment
16	Membership Certificate	Nil
17	Status Report	Rs. 1,000/- per application

In case of non-compliance of any of the below mentioned regulatory requirements, disciplinary actions are stated below will be levied w.e.f July 01, 2022 (NSE/INSP/52085 dated April 22, 2022):

a) Penalties /disciplinary action(s)/charges for delay or non-submission of periodic submissions

S.No.	Details of Violation	Penalty/disciplinary actions	Penalty/disciplinary action in case of Repeat violation /contravention
1	Failure to furnish "Annual Returns" within the due date	Levy of Monetary penalty of: 1) Rs. 5,000 per day for the first 15 days after due date 2) Rs. 10,000 per day for the next 15 days In case of non-submission within 30 days from the due date of submission, TM shall be debarred from taking new clients till the date of submission. If member fails to submit within 60 days from the due date of submission, trading rights shall be withdrawn in all segments immediately till the date of submission	In case of a repeat instance by the Member, the monetary penalty shall be levied along with an escalation of 50%. In case of non-submission within 30 days from the due date of submission, TM shall be debarred from taking new clients till the date of submission. If member fails to submit within 60 days from the due date of submission, trading rights shall be withdrawn in all segments immediately till the date of submission
2	Non-Submission of Stock-broker mandatory indemnity/insurance policy	Monetary penalty of Rs. 1,000 per day after due date till the date of submission.	In case of a repeat instance by the Member, the monetary penalty shall be levied along with an escalation of 50%.
3	Failing to report Daily MTR file successfully to Exchange	Levy of monetary penalty of Rs. 5000/- for one instance in a month.	The following actions shall be taken in case of repeated non-compliance: 1) Levy of Monetary penalty of Rs. 10,000 per day for two to three instances in a month 2) Non-reporting for more than three instances in a month - Withdrawal of Margin Trading Facility for a period of 3 months. 3) Non-reporting for 6 or more instances in last consecutive 3 months- the Margin

			trading facility of the Member shall be withdrawn and member shall also be debarred from taking new clients for three months.
4	Non-Submission of quarterly Artificial Intelligence & Machine Learning (AIML) details	Levy of Monetary penalty of Rs. 10,000 for each quarter.	The following actions shall be taken in case of repeated non-compliance: 1) Levy of Monetary penalty with an escalation of 50%. 2) If member fails to submit AIML in consecutive two quarters, TM shall, in addition to the monetary penalty, be debarred from taking new clients for 1 month. 3) In case of non-submission in 3 or more consecutive quarters, the trading rights shall be withdrawn in all segments for one day.

b) Penalties /disciplinary action(s) for non-adherence to membership requirements

Sr. No.	Details of Violation	Penalty/disciplinary actions	Penalty/disciplinary action in case of Repeat violation/contravention
1	Change in Control	Monetary penalty of Rs. 2,00,000/-and withdrawal of trading facility of the trading member till approval of the Exchange.	In case of a repeat instance by the Member, the monetary penalty shall be levied along with escalation of 50%. Further trading facility of the trading member shall also be withdrawn till approval of the Exchange.
2	Change in shareholding (with no change in control) without Exchange approval	Levy of Monetary penalty of Rs. 10,000 per day per instance	In case of a repeat instance by the Member, the monetary penalty shall be levied along with escalation of 50%. In case of post facto approval on more than 3 occasions in last 12 months or more than 5 occasions in last 36 months, the trading rights in all segments to be withdrawn for one day or till the approval of the Exchange, whichever is later.

3	Change in designated directors without Exchange approval	<u>A.Post facto intimation</u> - Rs. 20,000 per day from the date of appointment, till the date of intimation to the Exchange. <u>B.In case of changes beyond the control of the member:</u> B.1.In case of any changes in Designated Directors due to death/resignation etc., member's are required to intimate Exchange within 10 working days of such change. B.2.<u>If not intimated within 10 working days</u>: Monetary penalty of Rs. 5,000 per day till the date of intimation to the Exchange B.3. TM to appoint the requisite number of DDs within three months of the resignation/death etc. of the outgoing DD and confirm the same to the Exchange. In case of failure to appoint the DD within three months, member shall be levied a monetary penalty of Rs. 10,000/- per day and debarred from taking new clients till the date of appointment. B.4. In case of failure to appoint the DD within 4 months in non-compliance to the Exchange directive, trading rights shall be withdrawn till the appointment/intimation of the DD to the Exchange.	The following actions shall be taken in case of repeated non-compliance in addition to the action prescribed for the first instance: 1) Levy of applicable monetary penalties along with an escalation of 50%. 2) In case of post facto approval on more than 3 occasions in last 12 months, member shall be debarred from taking new clients. 3) In case of more than 5 occasions in last 12 months, the trading rights shall be withdrawn for one day or till the approval of the Exchange is granted, whichever is later.
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4	Change in non-designated directors without Exchange approval	<u>In case of any planned changes</u> Rs. 10,000 per day per director for any post-facto changes <u>In case of changes beyond the control of the member:</u> In case of any changes in NDD due to death/resignation etc., member's are required to intimate Exchange within 10 working days of such change. <u>If not intimated within 10 working days:</u> Monetary penalty of Rs. 5,000 per day till the date of intimation to the Exchange In case of post facto appointment of NDD-Rs. 10,000/- per day per Director	In case of a repeat instance by the Member, the applicable monetary penalties shall be levied along with escalation of 50%. In case of post facto approval on more than 3 occasions in last 12 months, member shall be debarred from taking new clients. In case of more than 5 occasions in last 12 months, the trading rights to be withdrawn for one day or till the approval of the Exchange is granted, whichever is later.
5	Transfer of membership /business/ Merger without prior approval of the Exchange (with no change in control)	Monetary penalty of Rs. 1,00,000/- for each instance	In case of a repeat instance by the Member, the monetary penalty shall be levied along with escalation of 50%. Additionally, the trading rights shall be withdrawn for one day or till the approval from Exchange is granted, whichever is later.

6	Non-appointment/ intimation of Compliance officer	Post facto intimation - Rs. 20,000 per day from the date of appointment, till the date of intimation to the Exchange. In circumstances beyond the control of the member such as resignation /death In case of any changes in Compliance Officer due to death/resignation etc., member's are required to intimate Exchange within 10 working days of such change. <u>If not intimated within 10 working days:</u> Monetary penalty of Rs. 5,000 per day till the date of intimation to the Exchange Member to appoint the compliance officer within three months of the resignation/death of the compliance officer and confirm the same to the Exchange. In case of failure to appoint the Compliance officer within three months, member shall be levied a monetary penalty of Rs. 10,000/- per day and debarred from taking new clients till the date of appointment. In case of failure to appoint the Compliance Officer within 4 months in non-compliance to the Exchange directive, trading rights shall be withdrawn till the appointment/intimation of the Compliance Officer to the Exchange If appointment of new compliance officer is observed during inspection and the details are not reported to Exchange: Rs. 1 lac in addition to penalty of Rs.20,000/- per day from the date of appointment.	The following actions shall be taken in case of repeated non-compliance in addition to the action prescribed for the first instance: 1) Levy of applicable monetary penalties along with an escalation of 50%.
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7	Non updation of KMP Details	Monetary penalty of Rs. 10,000/- per KMP	In case of a repeat instance by the Member, the monetary penalty shall be levied along with escalation of 50%. In case of more than 3 occasions, the trading rights shall be withdrawn for one day.
8	Change in Member category	Monetary penalty equivalent to 10% of the difference in BMC on account of change in member category. Member to be given 5 working days to recoup the BMC failing which Member shall be debarred from taking new clients till BMC is recouped. In case member fails to recoup the BMC within 15 days, the trading rights shall be withdrawn till BMC is recouped.	The following actions shall be taken in case of repeated non-compliance in addition to the action prescribed for the first instance: In case of a repeat instance by the Member, the monetary penalty shall be levied along with escalation of 50%.
9	Change in status & constitution without prior approval of the Exchange	Monetary penalty of Rs. 20,000/-per day from the date of change till the date of approval	In case of a repeat instance by the Member, the monetary penalty shall be levied along with escalation of 50%. Additionally, the trading rights shall be withdrawn for one day or till the approval from Exchange is granted, whichever is later.

10	Issue of Advertisement without Exchange approval	Levy of monetary penalty of Rs 1 lac per instance. In case member issues advertisement despite Exchange rejection, member shall be, in addition to the monetary penalty, be debarred from taking new clients for one month or till such time the advertisement is taken down, whichever is later.	In case of a repeat instance by the Member, the monetary penalty shall be levied along with escalation of 50%. Additionally, 1. In case member issues advertisement without Exchange approval on 3 occasions, member shall be debarred from taking new clients for one month. 2. In case member issues advertisement without Exchange approval on 5 occasions, the trading rights shall be withdrawn for one working day or till the approval is sought, whichever is later. On two occasions, In case member issues advertisement despite Exchange rejection, member shall be, in addition to the monetary penalty, trading rights shall be withdrawn for one day or till such time the advertisement is taken down, whichever is later.
11	Trade through other Members	Monetary penalty of Rs.30,000/- per member where account is opened and direction to seek approval of the Exchange Advice Letter to be issued in case the member trades through brokers of other Exchanges without intimation to Exchange	In case of a repeat instance by the Member, the monetary penalty shall be levied along with escalation of 50%. In case of more than two occasions, member shall be debarred from taking new clients till proof of closure of account is submitted. In case a member trades with another broker despite Exchange rejection, immediate withdrawal of trading rights for one day or till proof of closure of account is submitted whichever is later.
12	Providing Margin Trading facility to clients without obtaining prior	Monetary penalty of Rs. 2 lakh	In case of a repeat instance by the Member, the monetary penalty shall be levied along with escalation of 50%.

	permission of the Exchange		Additionally, the trading rights shall be withdrawn for one day.
13	Non-conduct of AP Inspections	Monetary penalty of Rs. 2 lakh for each year. The relevant authority on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.	In case of a repeat instance by the Member, the monetary penalty shall be levied along with escalation of 50%. The relevant authority on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.
14	Delay in reporting of AP inspection to the Exchange	Monetary penalty of Rs. 10,000/- per day after the due date. The relevant authority on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.	In case of a repeat instance by the Member, the monetary penalty shall be levied along with escalation of 50%. The relevant authority on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.
15	Incorrect submission of information to the Exchange about the AP inspection	Monetary penalty of Rs. 25,000/- per day after the due date. Additional disciplinary action shall be taken in case of submission of materially incorrect information.	In case of a repeat instance by the Member, the monetary penalty shall be levied along with escalation of 50%. Additional disciplinary action shall be taken in case of repeat instance of submission of materially incorrect information.
16	Non reporting/partial reporting of UCC details mapped to the APs	Monetary penalty of Rs.2 lakhs. The relevant authority on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.	In case of a repeat instance by the Member, the monetary penalty shall be levied along with escalation of 50%. The relevant authority on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.