

National Stock Exchange of India Limited

Circular

DEPARTMENT: COMPLIANCE	
Download Ref No: NSE/COMP/53802	Date: September 22, 2022
Circular Ref. No: 68/2022	

To All Members,

Sub: Clarification to the Rule 8(1)(f) and 8(3)(f) of Securities Contracts (Regulation) Rules, 1957

Member's attention is drawn to Exchange circular NSE/COMP/50957 dated January 07, 2022, wherein clarification to the Rule 8(1)(f) and Rule 8(3)(f) of Securities Contracts (Regulation) Rules, 1957 ("SCRR"), was provided in consultation with SEBI and other Stock Exchanges.

The illustrative list of activities that are construed as non-compliance to Rule 8(1)(f) and 8(3)(f) of SCRR, if undertaken by a member, were provided vide aforesaid circular. Point 7 and 10 of the said list of activities, states as below.

"7. Any arrangement with registered clients to borrow funds/loans.

10. Investments made in group companies such as subsidiaries & associates etc., not in connection with or incidental to or consequential upon the securities/ commodity derivatives business. (Ex: Investment in companies engaged in other businesses such as NBFC, Real Estate etc.)"

In view of the representations received from members, in this regard, following is clarified:

Point 7:

If the lender (who is also a registered client of member) is a director, associate or group company, then members, who are constituted as a company, are permitted to take loans from such clients to meet the working capital requirements.

Point 10:

- i. Members may form a subsidiary company for undertaking the types of businesses which a member is otherwise permitted to undertake i.e., in connection with or incidental to or consequential upon the securities/ commodity derivatives business without any approval.

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- ii. Members may form a subsidiary company, with the prior approval of the Exchange, for undertaking other businesses that are considered useful or necessary for the functioning/ development of capital markets. (Ex: Member's setting up IT subsidiaries for developing trading/back office related software etc.)
- iii. It shall be noted that such investments may be made only from own/ proprietary funds and clients funds shall not be used under any circumstances.

Further, it is reiterated that, in case of default of a member, only the registered constituents/investors of the trading member are eligible for compensation from Investor Protection Fund Trust (IPFT) for the trades executed on the NSE Platform, and transactions related to other business segments such as Portfolio Management Services (PMS), Merchant Banking etc., executed either directly or indirectly are not eligible for compensation from Exchange's IPFT.

Exchange circular dated January 07, 2022 is modified to the extent of the above. All other provisions of the said circular dated January 07, 2022 shall continue to remain applicable.

All Members are advised to take note of the above and strictly comply.

For any support, please reach out to the helpdesk on 1800 266 0050 or email at memcompliance_support@nse.co.in.

For and on behalf of
National Stock Exchange of India Limited

Ankit Kothari
Senior Manager