

## National Stock Exchange of India

### Circular

| Department: Compliance          |                          |
|---------------------------------|--------------------------|
| Download Ref No: NSE/COMP/58677 | Date: September 29, 2023 |
| Circular Ref. No: 89/2023       |                          |

To All Members,

#### **Sub: Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by market intermediaries**

This is further to the Exchange Circulars NSE/COMP/40174 dated February 07, 2019 and NSE/COMP/57360 dated June 30, 2023 regarding the reporting of Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by market intermediaries, within 15 calendar days of the expiry of the quarter.

The submission of AI-ML details is mandatory for all active Members of the Exchange (i.e. those who have executed even a single trade during the quarter i.e. from July 01, 2023 to September 30, 2023) irrespective of whether they are using AI-ML systems or not. The members who are not using AI-ML systems are also required to report NIL submission.

Kindly note, submission of AI-ML reporting should be done through the ENIT module. The URL for accessing ENIT portal is <https://enit.nseindia.com/MemberPortal/>

Members are hereby informed and advised to submit the report for the quarter end September 30, 2023 through **NEW ENIT > COMPLIANCE > 'ML and AI' > ML and AI Details**. The ENIT link for submission shall remain active **from October 01, 2023 till October 15, 2023**. The user manual for submission of AI-ML data or NIL reporting is as attached as Annexure I.

Kindly note that failure to report AI-ML details within the prescribed timeline would be treated as non-compliance and attract a penalty of Rs. 10,000/- for quarter in accordance with circular ref. no. NSE/INSP/53530 dated September 02, 2022.



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All members are advised to ensure submission on or before October 15, 2023.

For any support, please reach out to the helpdesk on 1800 266 0050 (Select IVR option 3) or email at [memcompliance\\_support@nse.co.in](mailto:memcompliance_support@nse.co.in).

**For and on behalf of  
National Stock Exchange of India Limited**

**Swati Sopare  
Chief Manager**

## ANNEXURE I

### USER MANUAL FOR ELECTRONIC REPORTING FOR ARTIFICIAL INTELLIGENCE (AI) AND MACHINE LEARNING (ML) APPLICATIONS AND SYSTEMS OFFERED AND USED BY MEMBERS (Electronic NSE interface for Trading Members)

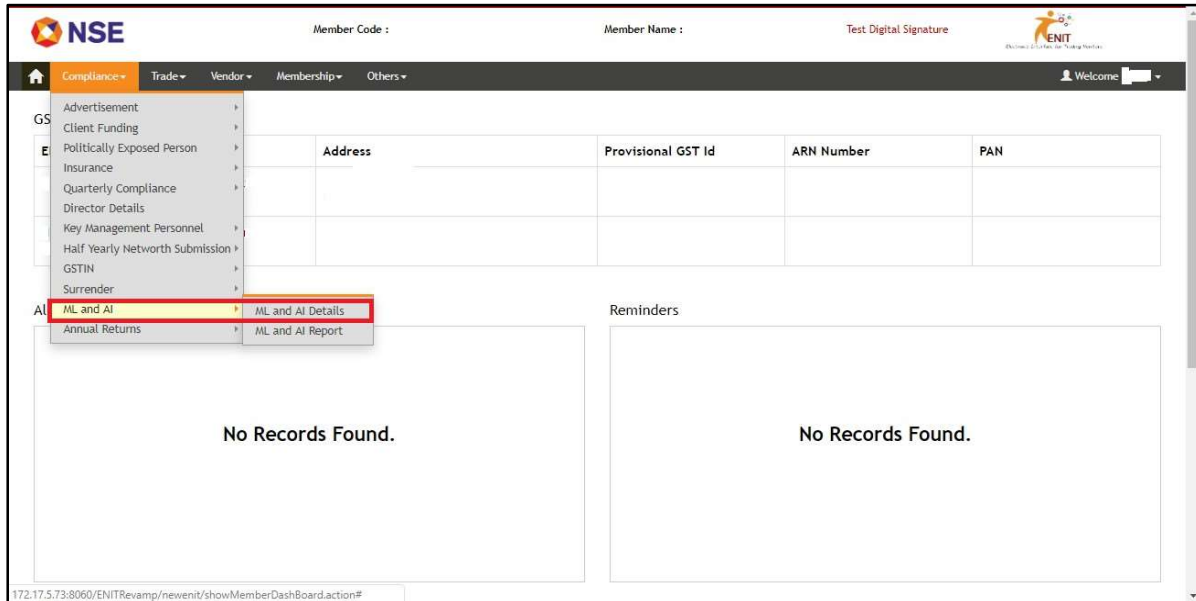
#### 1.1 Quarterly Compliance for ML and AI

Trading members need to do the Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by them for every quarter. Using this module, user can submit the details.

##### 1.1.1 ML and AI

###### [A] Open 'ML and AI' screen:

1. Login with correct member credentials.
2. Click on 'Compliance'.
3. Go to 'ML and AI'.
4. Select 'ML and AI details' & click on it.



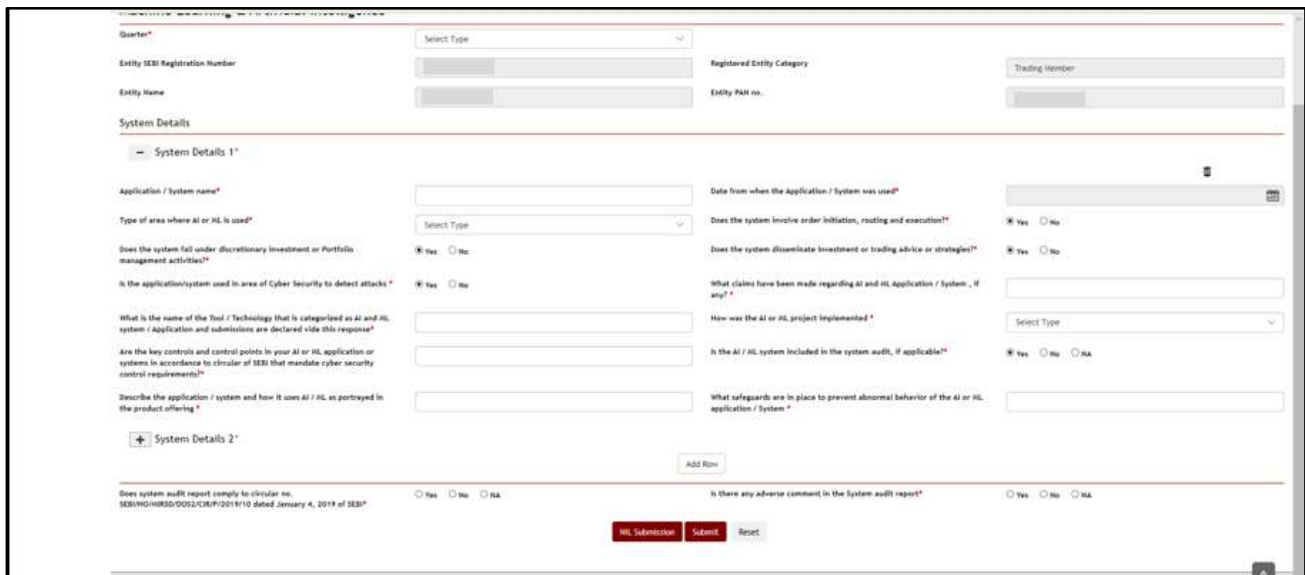
The screenshot displays the NSE member dashboard interface. At the top, there is a header with the NSE logo, member code, member name, and a digital signature test button. Below the header is a navigation menu with 'Compliance' selected. A dropdown menu is open under 'Compliance', showing various options. The 'AI' category is expanded, and 'ML and AI Details' is highlighted with a red box. Below the navigation, there are two main sections: 'Address' and 'Reminders'. Both sections contain a table with columns for 'Address', 'Provisional GST Id', 'ARN Number', and 'PAN'. The 'Address' table has one row with empty cells. The 'Reminders' section is empty. At the bottom of both sections, it says 'No Records Found.' The URL at the bottom of the browser window is '172.17.5.73:8060/ENITRevamp/newenit/showMemberDashboard.action#'

Below screen will open & user has to fill all editable fields. This form will contain dropdowns, texts and fields to be filled.

‘Name of Trading Member, SEBI Reg. No., PAN No. and Registered Entity Category’ are the auto populated fields which are disabled.

‘Quarter’ represents the applicable quarter period for which the Member needs to submit the details. The quarter period changes as per the applicable quarter.

Below ‘Quarter’, the **Member details** also get changed as per the login credentials.

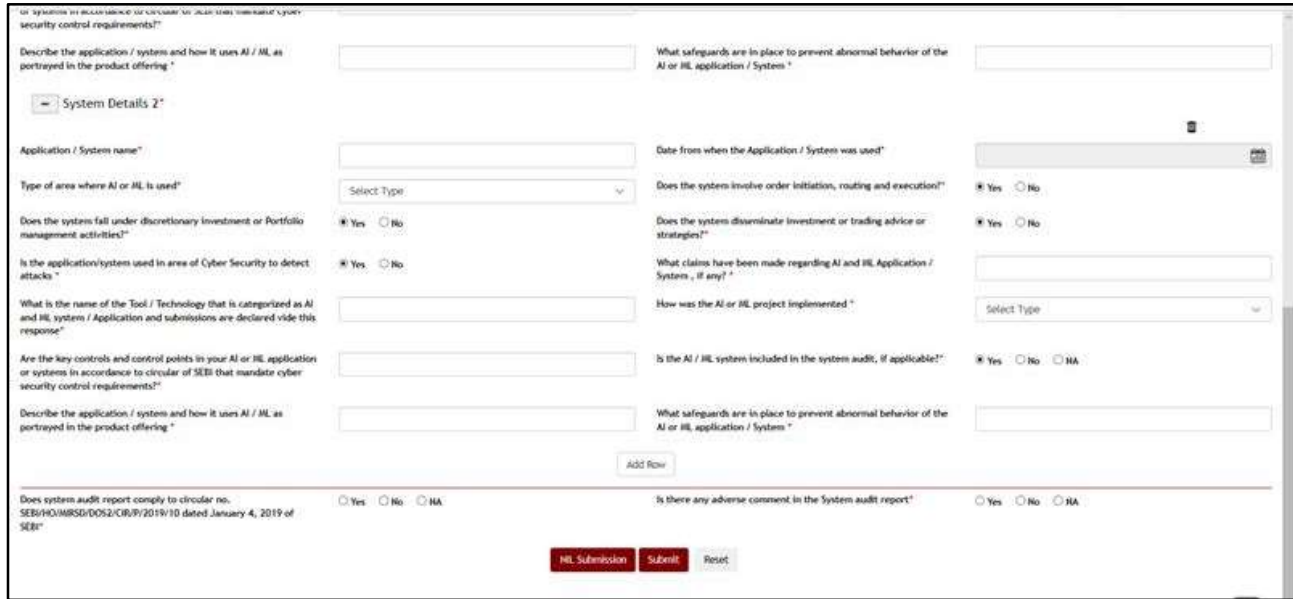


In this form, Name of Trading Member, SEBI Reg. No., PAN No. and Registered Entity Category are the auto populated fields which are disabled.

User needs to fill/select other details as required in the form under ‘System Details 1’.

In case user wants to report more than one such AI-ML system, user needs to click on ‘Add Row’ button and a new ‘System Details 2’ will be available to fill the details. Similarly, user can create as many ‘System Details’ as he wants – by clicking on ‘Add Row’ button.

User is required to suitably select the option for last two questions which are common to all the systems



OF SYSTEMS IN ACCORDANCE OF CIRCULAR NO. SEBI/HO/MIRSD/DOS2/CIR/P/2019/10 dated January 4, 2019 of SEBI

security control requirements?\*

Describe the application / system and how it uses AI / ML as portrayed in the product offering \*

What safeguards are in place to prevent abnormal behavior of the AI or ML application / System \*

**System Details 2\***

Application / System name\*

Date from when the Application / System was used\*

Type of area where AI or ML is used\*

Does the system fall under discretionary investment or Portfolio management activities?\*

Does the system involve order initiation, routing and execution?\*

Does the system disseminate investment or trading advice or strategies?\*

Is the application/system used in area of Cyber Security to detect attacks?\*

What claims have been made regarding AI and ML Application / System, if any? \*

What is the name of the Tool / Technology that is categorized as AI and ML system / Application and submissions are declared vide this response?\*

How was the AI or ML project implemented? \*

Are the key controls and control points in your AI or ML application or systems in accordance to circular of SEBI that mandate cyber security control requirements?\*

Is the AI / ML system included in the system audit, if applicable?\*

Describe the application / system and how it uses AI / ML as portrayed in the product offering \*

What safeguards are in place to prevent abnormal behavior of the AI or ML application / System \*

ADD Row

Does system audit report comply to circular no. SEBI/HO/MIRSD/DOS2/CIR/P/2019/10 dated January 4, 2019 of SEBI?  Yes  No  NA

Is there any adverse comment in the System audit report?  Yes  No  NA

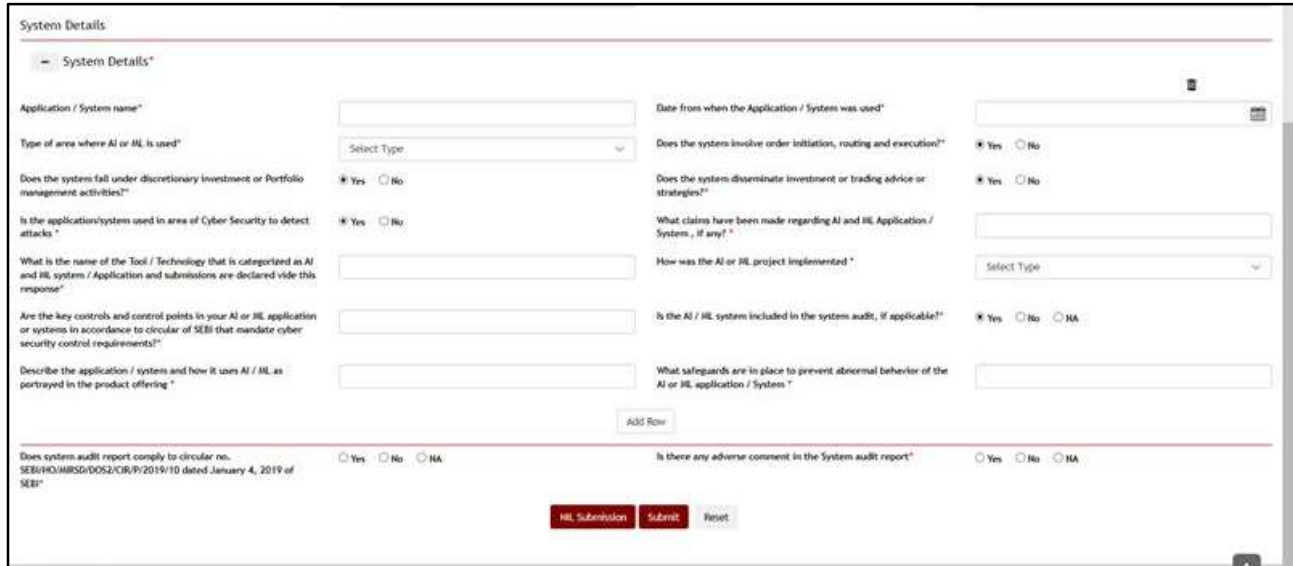
NL Submission Submit Reset

Same are as below:

**Does system audit report comply to circular no. SEBI/HO/MIRSD/DOS2/CIR/P/2019/10 dated January 4, 2019 of SEBI\* Yes/No/NA**

**Is there any adverse comment in the System audit report\* Yes/No/NA**

If AI-ML systems are not used by members and user wants to report accordingly, user needs to click on NIL submission



The screenshot shows a web form titled "System Details". It contains several sections with input fields and radio buttons:

- Application / System name\***: Text input field.
- Type of area where AI or ML is used\***: Dropdown menu with "Select Type" selected.
- Does the system fall under discretionary investment or Portfolio management activities?\***: Radio buttons for Yes and No.
- Is the application/system used in area of Cyber Security to detect attacks?\***: Radio buttons for Yes and No.
- What is the name of the Tool / Technology that is categorized as AI and ML, system / Application and submissions are declared vide this response?\***: Text input field.
- Are the key controls and control points in your AI or ML application or systems in accordance to circular of SEBI that mandate cyber security control requirements?\***: Text input field.
- Describe the application / system and how it uses AI / ML as portrayed in the product offering \***: Text input field.
- Date from when the Application / System was used\***: Date picker.
- Does the system involve order initiation, routing and execution?\***: Radio buttons for Yes and No.
- Does the system disseminate investment or trading advice or strategies?\***: Radio buttons for Yes and No.
- What claims have been made regarding AI and ML Application / Systems, if any? \***: Text input field.
- How was the AI or ML project implemented? \***: Dropdown menu with "Select Type" selected.
- Is the AI / ML system included in the system audit, if applicable?\***: Radio buttons for Yes, No, and NA.
- What safeguards are in place to prevent abnormal behavior of the AI or ML application / System? \***: Text input field.
- Does system audit report comply to circular no. SEBI/HO/HRSD/DOS2/CIR/19/2019/10 dated January 4, 2019 of SEBI?\***: Radio buttons for Yes, No, and NA.
- Is there any adverse comment in the System audit report?\***: Radio buttons for Yes, No, and NA.

At the bottom of the form, there are three buttons: "NIL Submission" (highlighted in red), "Submit", and "Reset".

### [B] Submitting the details:

1. Once user has finished filling the details and clicked on Submit OR
2. User has clicked on NIL submission

The successful alert is seen when user submits the details successfully. It will also generate a Reference No. as follow:

