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## **ITEM No.1: MEMBERSHIP ELIGIBILITY REQUIREMENTS**

### **1. ELIGIBILITY REQUIREMENTS**

- 1.1. Membership of the National Stock Exchange of India Limited (“**Exchange/NSE**”) is open to corporate entities, limited liability partnerships, registered partnership firms and individuals who fulfil the eligibility criteria laid down by the Securities and Exchange Board of India (“**SEBI/Board**”) and NSE.

The following persons shall be eligible to become Trading Member/ Member(s) 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 (“**SCRR**”) as amended from time to time.

### **1.2. Individuals (Sole Proprietor)**

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

<b>Particulars</b>	<b>Requirement</b>
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, or in any other manner in dealing in securities or clearing and settlement thereof.

### 1.3. 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 <i>remisier</i> or apprentice to a member of a recognised stock exchange, dealer, jobber, market maker, or in any other manner in dealing in securities or clearing and settlement thereof.

### 1.4. Limited Liability Partnership as defined in the Limited Liability Partnership Act, 2008.

Where the applicant is a limited liability 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 SEBI for registration of such limited liability partnerships under sub-section (1) of section 12 of the Securities and Exchange Board of India Act, 1992 ("**SEBI Act**").
- (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 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, or in any other manner in dealing in securities or clearing and settlement thereof.

#### 1.5. 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 provisions of Section 12 of the Securities Contracts (Regulation) Act, 1956 ("SCRA");
- (b) such company is formed in compliance with the relevant provisions of the Companies Act 1956 or Companies Act, 2013 (as may be amended from time to time);
- (c) a majority of the directors of such company are shareholders of such company and also members of that stock exchange;
- (d) the directors of such company, who are members of that stock exchange, have ultimate liability in such company.
- (e) such company undertakes to comply with such other financial requirements and norms as may be specified by the SEBI for the registration of such company under sub-section (1) of section 12 of the SEBI Act.

- (f) the directors of the company are not disqualified from being members of a stock exchange under [clause (1) of Rule 8 [except sub-clause (b) and sub-clause (f) thereof] or clause (3) of Rule 8 [except sub-clause (a) and sub-clause (f) thereof] of SCRR 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
- (g) Any other eligibility norms as may be specified under SCRR or by SEBI/Exchange from time to time.

#### Additional Requirements

Particulars	Requirement
Status	Corporate registered under the Companies Act 1956 or Companies Act, 2013
Minimum Paid up Equity Capital	INR 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, or in any other manner in dealing in securities or clearing and settlement thereof.

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:<sup>1</sup>

- It has a minimum net worth of ₹ 500 crores;
  - It has minimum prescribed capital (including Capital Conservation Buffer);
  - Its net NPA does not exceed 3 per cent; and
  - It has made a net profit in the preceding three years.
- (b) Provided that a bank not meeting the aforesaid conditions may participate in the currency futures market as a client.
- (c) A bank which intends to become a Trading Member of a SEBI approved stock exchange for the purpose of undertaking proprietary transactions in the corporate bond market shall do so subject to satisfying the membership criteria of the stock exchanges and complying with the regulatory norms laid down by SEBI and the respective stock exchange.
- (d) No bank shall offer broking services for the commodity derivatives segment of SEBI recognised stock exchanges except through a separate subsidiary set up for the purpose or one of its existing subsidiaries and shall do so subject to the following conditions:
- The subsidiary shall, with the approval of its Board, put in place effective risk control measures including prudential norms on risk exposure in respect of each of its clients, taking into account their net worth, business turnover, etc.
  - The subsidiary shall not undertake proprietary positions in the commodity derivatives segments.
  - The subsidiary shall ensure strict compliance with various margin requirements as may be prescribed by SEBI, its own board or the Commodity Exchanges.
- (e) Standalone primary dealers (“SPDs”) are permitted to take up trading membership with SEBI approved stock exchanges for undertaking proprietary transactions in equity and equity derivatives market as permitted under sub-clause (i)(a) of paragraph 12(5) of the said directions. The SPDs shall comply with all the regulatory norms laid down by SEBI and all the eligibility criteria/ rules of stock exchanges and clearing corporations.<sup>2</sup>

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<sup>1</sup> Master Direction – Reserve Bank of India (Financial Services provided by Banks) Directions, 2016 dated May 26, 2016.

<sup>2</sup> The Master Direction - Standalone Primary Dealers (Reserve Bank) Directions, 2016 and Circular DOR.FIN.REC.No.72/03.10.117/2022-23 dated October 11, 2022.



- (f) The AD Category - I banks which fulfil 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.
- (g) 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.

#### **OTHER ELIGIBILITY NORMS**

- I. Rule 8 (1) of the 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 NSE Rules further stipulates that no person shall be admitted as a Trading Member of the Exchange if such proposed member:
  - (a) is an individual who has not completed 21 years of age;
  - (b) is an individual who is engaged as a principal or employer in any business other than that of securities except as a broker or agent not involving any personal financial liability unless he undertakes on admission to sever his connection with such business;
  - (c) is a body corporate who has committed any act which renders the person liable to be wound up under the provisions of the law;



- (d) is a body corporate who has had a provisional liquidator or receiver or official liquidator appointed to the person;
- (e) has been adjudged bankrupt or a receiving order in bankruptcy has been made against the person or the person has been proved to be insolvent even though he has obtained his final discharge;
- (f) has been convicted of an offence involving a fraud or dishonesty;
- (g) has compounded with his creditors for less than full discharge of debts;
- (h) has been at any time expelled or declared a defaulter by any other stock exchange;
- (i) has as its shareholder, associate/group company, related party, promoter, director, key managerial personnel, compliance officer or employee, by whatsoever name they are called, any individual or body corporate who is or has been associated in any capacity with any individual or body corporate who has been expelled or declared as a defaulter by any stock exchange or has been initiated action against in terms of the extant circulars, guidelines, norms (by whatsoever name they are called) issued by SEBI or any other statutory directive in relation to diversion of clients' securities or there exists any signs of deteriorating financial health or any trigger indicating that it is likely to default in the repayment of funds / securities to its clients and / or fail to meet the settlement obligations or has been the subject matter of any restraint order passed by the SEBI, unless the same has been rescinded, withdrawn, quashed or suitably modified.
- (j) has been previously refused admission to membership unless the period of one year has elapsed since the date of rejection;
- (k) incurs such disqualification under the provisions of the SCRA 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 ("**SB Regulations**"), registration shall be granted by SEBI under Regulation 6 and shall be subject to the following conditions:

- (a) the stock broker 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 of the SB Regulations;
- (g) he shall at all times maintain the minimum networth as specified in Schedule VI of the SB Regulations;
- (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 SEBI Act in respect of the activities carried on by it as underwriter; and
- (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 be 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.
- (iii) In the case of foreign promoters, the guidelines issued by Exchange from time to time shall be adhered to.

**2. 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 SEBI. 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
- (xvii) 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.
- (xviii) The membership application can be submitted via online portal, which is accessible on the NSE website under the tab “Become a Member” - <https://www.nseindia.com/trade/membership-types>. The applicants will also be separately required to submit relevant documents as per the checklist/formats available at <https://www.nseindia.com/trade/documents-for-membership>, in physical form for records (as required by SEBI). The user manual for submitting the application through online portal is attached as **Exhibit A - Online Registration Module**.

### 3. TERMINATION OF MEMBERSHIP

As per Rule 29 of Chapter III of NSE 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.

#### **4. SURRENDER OF MEMBERSHIP**

- 4.1. A Trading Member desirous of surrendering its membership of the Exchange shall submit its request through online portal Electronic NSE Interface for Trading Members (“ENIT”).
- 4.2. 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 (“AP/s”)**: All APs 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 National Securities Depository Limited (“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 Trading Member is required to clear all the dues towards NSE 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 Trading 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, Trading Member shall undertake to settle the same.
- 4.3. 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 INR 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.
- 4.4. 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.
- 4.5. No Trading Member, who has surrendered its trading membership, their partners (in case of partnership firm) and/ or promoter 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).
- 4.6. The application of surrender of trading membership is subject to fulfilment of the following conditions: -
- (i) Submission of original SEBI registration certificate(s) on which the Trading Member is registered.
  - (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 Member 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 is 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 Trading 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.

- 4.7. 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.
- 4.8. 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.
- 4.9. A notice to public by way of a public notification in newspapers, SMS and email shall be made by the Exchange. The cost of public notification with respect to newspaper 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	15 days
Trading Members who have traded during last 12 months preceding the date of receipt of surrender application	2 months
Trading Member 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

- 4.10. Details as sought by SEBI w.r.t the pending dues, if any, shall be sought from Trading Member.
- 4.11. 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 Trading 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 Trading Member to do so within 21 days of intimation, the case shall be referred to the relevant authority for further action.
- 4.12. 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.





- 4.13. The interest free security deposits lying with Exchange/Clearing Corporation shall be refunded to the Trading members as per the provisions mentioned in SEBI circular SEBI/HO/MIRSD/FCR/CIR/P/2021/01 dated January 06, 2021 and Exchange Circular Reference No. NSE/COMP/46932 dated January 06, 2021.
- 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.
- 4.14. Such refund shall be subject to fulfilment by Trading Member of all dues under Rules/Regulations/Bye- Laws of the Exchange /NCL and circulars issued thereunder, including arbitration awards and valid investors/ other grievances/claims against Trading Member. In case the amount payable by the Trading Member 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 Trading Member to do so within 21 days of intimation, the case shall be referred to the relevant authority for further action.
- 4.15. 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.
- 4.16. 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 Fixed Deposit Receipts ("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 either the Exchange or NCL after fulfilment of all dues under Rules/Regulations/Bye-Laws of the Exchange/ NCL 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 Trading 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 either the Exchange or by NCL, in order to meet any dues / obligations falling due immediately.

4.17. 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.

4.18. 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.

4.19. FDRs furnished by the Trading Member in connection with surrender of trading membership shall be returned to the Trading Member as per the provisions of paragraph 4.14 above or on receipt of confirmation from SEBI regarding cancellation of registration, whichever is later. Returning FDRs/Bank Guarantees shall be subject to fulfilment of all dues under Rules/Regulations/Bye-Laws of the Exchange /NCL and circulars issued there under, including arbitration awards and valid investors/ other grievances/claims against them. In case there are any un-discharged obligations on account of the member FDRs/ Bank Guarantees shall be returned after adjusting such liability from the proceeds of the FDR unless adequate money is deposited against such outstanding liability.

4.20. 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.

4.21. 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/ 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.

- 4.22. 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

### 5. DEPOSITS AND NET-WORTH REQUIREMENTS

- 5.1. 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.
- 5.2. 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>.
- 5.3. All Trading Members in the commodity segment to provide a membership deposit of INR 50,000 /- (non- cash) w.e.f. April 01, 2024.
- (i) Base Minimum Capital (“**BMC**”) SEBI *vide* paragraph 1.1.19 of the SEBI Master Circular for Stock Exchanges and Clearing Corporations, SEBI/HO/MRD-PoD2/CIR/P/2024/00181 dated December 30, 2024 (“**SECC Master Circular**”) has prescribed the requirement of BMC for stock brokers trading on stock exchange. BMC is the deposit given by the Trading Member of the exchange against which no exposure for trades is allowed.
- (ii) Trading Members shall maintain the prescribed BMC based on their profiles.

Sr. No.	Categories	BMC requirement
1	Only Proprietary trading without Algorithmic trading (“ <b>Algo</b> ”)	INR 10 Lakhs
2	Trading only on behalf of Client (without proprietary trading) and without Algo	INR 15 Lakhs
3	Proprietary trading & trading on behalf of Client without Algo	INR 25 Lakhs
4	All Trading Members/Brokers with Algo	INR 50 Lakhs

- (iii) As per paragraph 9.1.9 of the SEBI Master Circular for Commodity Derivatives Segment, SEBI/HO/MRD/MRD-PoD-1/P/CIR/2023/136 dated August 04, 2023 Trading Members registered only in Commodity derivative Segment of Exchange shall maintain BMC as given below:

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

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 FDR/Bank Guarantee (“**BG**”).

- (iv) Exchange *vide* Circular Ref No. NSE/COMP/63569 dated August 26, 2024 has advised Trading Members to take a note that Exchange shall be accepting FDR and BG towards BMC/ deposits issued by the banks, which are meeting the eligibility criteria mentioned in paragraph 1.1.3 of the SECC Master Circular. The list of eligible banks is enclosed as **Exhibit B - Eligible Banks**.
- (v) The request for change in BMC category can be submitted through the new ENIT platform. The pathway for submitting requests to change the type of category is as follows: ENIT-NEW-COMPLIANCE > Compliance > BMC > Change Category. While sending a request for change in BMC category, the Trading Member shall ensure adequacy of NSE IFSD from which the BMC can be appropriated.
- (vi) Any request for a change in the category of BMC received before 4:00 pm will take effect on the next working day, while requests received after 4:00 pm will be processed in the subsequent cycle. For instance, if a request for a change in the type of membership is received on September 25, 2024, at 3:00 pm, the revised BMC requirement will take effect on the next working day, which is September 26, 2024. However, if the request is received on September 25, 2024, at 5:30 pm, the revised BMC requirement will become effective on September 27, 2024.
- (vii) The BMC primarily shall be blocked from NSE's 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.
- (viii) In case a Trading Member selects Category 1 i.e. Only Proprietary trading without Algo, the Trading Member is entitled to do only Proprietary trading without Algo trading facility. Accordingly, Trading Members opting for Category 1 shall not undertake any client trading or Algo trading.
- (ix) In case a Trading Member selects Category 2 i.e. trading only on behalf of the Client (without proprietary trading) and without Algo, the said member is entitled to do only client trading without Proprietary trading and without Algo trading facility. Accordingly, Trading Members opting for Category 2 shall not undertake any Proprietary trading or Algo trading.
- (x) In case a Trading Member selects Category 3 i.e. Proprietary trading and trading on behalf of Client without Algo, the Trading member is entitled to do Proprietary trading as well as Client trading however, without Algo trading facility.
- (xi) In case a Trading Member selects Category 4 i.e. All Trading Members/Brokers with Algo, then such members should obtain Algo registration for using Algo trading facility irrespective of Proprietary trading or Client trading.

#### 5.4. Net-worth requirements

- (i) As per Regulation 9(g) of SB Regulations and the continuing membership norms of the Exchange, all Trading 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) Trading 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/INSP/53530 dated September 02, 2022, prescribes the disciplinary action in case of Net-worth shortfall and non-submission of Net-worth.
- (iii) For Trading Members providing Margin trading facility (“MTF”) to their clients, such members are required to submit the half yearly Net-worth within one month from the end of respective half year.
- (iv) As per Circular Ref No. NSE/COMP/55447 dated February 01, 2023, the Net-worth is required to be computed as per the method of computation as prescribed by Schedule VI of SB Regulations. Clarification regarding computation of Net-worth as per SB Amendments 2022 has been provided *vide* circular reference no. NSE/COMP/61335 dated March 27, 2024.

5.5. As per Rule 33 of Chapter III of NSE 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 Net-worth 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.

5.6. Amendment to SEBI (Stockbrokers) Regulations, 1992

SEBI *vide* official gazette No. SEBI/LAD-NRO/GN/2022/73 dated February 23, 2022, has amended the Net-worth requirements for Trading Members. The key changes are as under:

- (i) The quantum of Net-worth to be maintained by the stock broker/, as specified in Table 1 of Schedule VI of the SB Regulations, shall be reckoned for all segments/stock exchanges.
- (ii) Trading Members shall be required to maintain Net-worth which will be equivalent to the Base Net-worth of INR 1 crore or Variable Net-worth, whichever is higher. Variable networth is 10% of average daily cash balance of clients retained with the Trading Member across segments/ exchanges in the previous 6 months.
- (iii) Where the Trading Member deposits the fund with the clearing member/ professional clearing member/ clearing corporation, the maintenance of variable Net-worth would not be required by that Trading Member to the extent of clients funds deposited with clearing member/ professional clearing member/ clearing corporation.

Provided that the cash/ BG accepted by Trading Member shall be included while calculating the variable Net-worth:



Provided further that the cash/ BG of clients deposited by Trading Member with clearing member/ professional clearing member shall be excluded while calculating the variable Net-worth.

- (iv) For the purposes of Schedule VI, 'base Net-worth' 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 Trading 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:

Provided that in case of securities pledged to clearing corporation, the post haircut value of shares owned by the Trading Member, as may be specified by the Board from time to time, shall be considered for computation of the Net-worth.

Provided further that where the stockbroker, in the debt segment, is also regulated by a sectoral regulator other than the Board, the Net-worth shall be computed in the manner as specified by such sectoral regulator or as specified by the Board, whichever is higher.

- (v) 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.

## **6. PROCEDURE FOR VOLUNTARY DISABLEMENT AND SUBSEQUENT RE-ENABLEMENT**

6.1. Trading 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/Partners Resolution in case of a Corporate/LLP/Partnership Firm.
- The request should be signed by Designated Director/Partner duly authorized for this purpose by the Board / Partners Resolution. In case of proprietorship, the same should be signed by the proprietor.
- The request should mention that the Trading Member has no open positions as on the date of application.
- Request for voluntary disablement shall be submitted through online portal ENIT. The detailed information and user manual is enclosed herewith as **Exhibit C -User Manual - Voluntary Disablement**.



6.2. Members who are disabled on the trading platform on account of voluntary disablement can make an application for re-enablement subject to submission / compliance with the following:

- Request in writing by one of the Designated Director/Partner accompanied with Board/Partners 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 latest Net-worth Certificate meeting minimum Net-worth 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 (e.g.: settlement account, exchange dues account etc.)
- Correspondence and registered office address confirmation.
- Submission of CTCL details, if applicable.
- Undertaking for BMC 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.

## **7. MEMBERSHIP CERTIFICATE**

7.1. Registered Trading Members of the Exchange can auto-download membership certificate containing details of the Trading Member's registration status across the various segments of the Exchange. The membership certificate can be generated through ENIT portal (<https://enit.nseindia.com/MemberPortal/>) at following path:

ENIT-NEW-Compliance> Compliance>Membership Certificate.

7.2. Trading Members are advised to refer to Circular Ref. No. NSE/COMP/55491 dated February 03, 2023, for the process of generation of the Membership Certificate.



### ITEM No.3: EXCHANGE APPROVALS

#### 8. 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 Trading 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 only in case of any change in shareholding without change in control.

Monetary penalty of INR 10,000/- per day per instance shall be levied in case of change in shareholding (with no change in control) without Exchange approval. (*Circular Ref. No. NSE/INSP/53530 dated September 02, 2022 – Annexure 2*).

##### 8.1. Submission of list of Promoters, Non-Promoters/Partners:

- (i) Trading 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) Trading Members will provide a list of promoters, non-promoters/ partners along with their interest, if any (shareholding/ partnership share, as applicable) in the stock broking entity. The promoters can be identified as under, in terms of Circular Ref. No. NSE/COMP/49213 dated August 06, 2021:

Constitution	Details
<b>Corporate (Listed entity)</b>	<p>The promoter shall be identified as per <b>SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“ICDR Regulations”)</b>.</p> <p>Regulation 2 (oo) of the ICDR Regulations defines a “promoter” to include a person:</p> <ol style="list-style-type: none"> <li>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</li> <li>ii) who has control over the affairs of the issuer, directly or indirectly whether as a shareholder, director or otherwise; or</li> </ol> <p><i>Explanation – The term ‘control’ shall have the meaning assigned to it SEBI (Substantial Acquisition of Shares &amp; Takeovers) Regulations, 2011 (“SAST Regulations”)</i></p> <ol style="list-style-type: none"> <li>iii) in accordance with whose advice, directions, or instructions the board of directors of the issuer is accustomed to act.</li> </ol> <p>Provided that nothing in sub-clause (iii) shall apply to a person who is acting merely in a professional capacity.</p>



Constitution	Details
	<p>Provided further that a financial institution, scheduled commercial bank, foreign portfolio investor other than individuals, corporate bodies and family offices, mutual fund, venture capital fund, alternative investment fund, foreign venture capital investor, insurance company registered with the Insurance Regulatory and Development Authority of India (“IRDA”) or any other category as specified by SEBI from time to time, shall not be deemed to be a promoter merely by virtue of the fact that 20% or more of the equity share capital of the issuer is held by such person unless such person satisfy other requirements prescribed under ICDR Regulations.</p> <p>Further, persons having controlling interest in the entity in terms of SB Regulations shall also be treated as promoters.</p>
<b>Corporate (Unlisted)</b>	<p>The promoter shall be as per Section 2(69) of Companies Act, 2013 (“Companies Act”)</p> <p>“promoter” means a person—</p> <ol style="list-style-type: none"> <li>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</li> <li>who has control* over the affairs of the company, directly or indirectly whether as a shareholder, director or otherwise; or</li> <li>in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act</li> </ol> <p>Provided that nothing in (c) above shall apply to a person who is acting merely in a professional capacity;</p> <p>*Control as defined under SEBI (Substantial Acquisition of Shares &amp; Takeovers) Regulations, 2011</p> <p>Further, persons having controlling interest in the entity in terms of SB Regulations shall also be treated as promoters.</p>
<b>Partnership Firms/LLP</b>	All partners
<b>Individual/Sole Proprietorship</b>	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>

## 8.2. Change in control

As per Regulation 9 (c) of SB Regulations, one of the conditions of registration is that Trading Members have to obtain prior approval of the SEBI for any change in control. As per paragraph 68 of the Master Circular for Stock Brokers, SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024 (“**Stock Broker Master Circular**”) and *vide* NSE Circular NSE/MEM/18010 dated June 08, 2011, NSE/COMP/49213 dated August 06, 2021 and NSE/COMP/54665 dated December 01, 2022 SEBI requires all Trading 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 INR 2,00,000/- shall be levied along with withdrawal of trading facility of the Trading Member till approval of the Exchange. (Circular Ref. No. NSE/INSP/53530 dated September 2, 2022 – Annexure 2)

### 8.2.1 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 Trading Member as defined in SB Regulations <sup>2</sup> , SAST Regulations <sup>3</sup>	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

#### <sup>2</sup> **SB Regulations defines “change in control” as under:**

2 (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) *if its shares are not listed on any recognised stock exchange, shall be construed with reference to the definition of control as provided in sub-section (27) of Section 2 of the Companies Act, 2013 (18 of 2013);*

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

*Explanation - For the purpose of this sub-clause, the expression “controlling interest” means an interest, whether direct or indirect, to the extent of not less than fifty percent of voting rights or interest;*

#### <sup>3</sup> **SAST Regulations define “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**<sup>5</sup>, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner;*

***Provided** that a director or officer of a target company shall not be considered to be in control over such target company, merely by virtue of holding such position.*

<sup>5</sup> Persons acting in concert shall have the same meaning as defined under Regulation 2(q) of Chapter I of SAST Regulations.

#### 8.2.2 **Exception to the aforementioned rule for change in control**

In view of paragraph 68.4 of the Stock Broker Master Circular the following scenarios leading to a change in shareholding will not be construed as change in control and hence SEBI prior approval shall not be required:

(a) *In case of unlisted body corporate*

- Transfer of shareholding among immediate relatives (as defined under Regulation 2(l) of SAST Regulations)
- Transfer of shareholding by way of transmission

(b) *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

8.2.3 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>

#### 8.2.4 **Ultimate Beneficiary Owner (“UBO”) Identification**

In accordance with the provisions of Prevention of Money Laundering Act, 2002, Prevention of Money Laundering (Maintenance of Records) Rules, 2005 and SEBI Master Circular on Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under, SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2024/78 dated June 06, 2024, the beneficial owner shall be identified as per below criteria:

- more than 10% of shares or capital or profits of the juridical person, where the juridical person is a company;

- more than 10% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- 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.
- In case of a trust, the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 10% 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 UBO should be provided.

#### 8.2.5 **Exceptions where UBO is/are not to be identified:**

- (i) Where 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, Pension Fund Regulatory and Development Authority (“PFRDA”) or as decided by the Exchange from time to time.
- (iv) Where all the promoters are central/state government owned financial institutions.

#### 8.2.6 **Scheme of arrangement which require sanction of the National Company Law Tribunal (“NCLT”) involving change in control**

- (i) The application seeking approval for the proposed change in control of the intermediary shall be filed with SEBI prior to filing the application with NCLT.
- (ii) Upon being satisfied with compliance of the applicable regulatory requirements, an in- principle approval will be granted by SEBI.
- (iii) The validity of such in-principle approval shall be three months from the date issuance, within which the relevant application shall be made to NCLT.
- (iv) Within 15 days from the date of order of NCLT, the intermediary shall submit an online application along with the following documents to SEBI for final approval:

- (a) Copy of the NCLT Order approving the scheme;
- (b) Copy of the approved scheme;
- (c) Statement explaining modifications, if any, in the approved scheme vis-à-vis the draft scheme and the reasons for the same; and
- (d) Details of compliance with the conditions/ observations, if any, mentioned in the in-principle approval provided by SEBI.

**8.2.7 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 (“**Intermediaries Regulations**”) and being applied to intermediaries seeking registration from SEBI.
- (ii) Trading 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 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 Circular Ref. No. NSE/COMP/52970 dated July 14, 2022. They also need to comply with Foreign Investment Promotion Board norms/RBI norms and any other requirements of the Exchange/SEBI as may be applicable from time to time.
- (vi) 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 INR 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 INR 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 INR 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 INR 50 Crores.
- (vii) The nominated list of promoters may or may not be holding any shareholding/partnership interest in entity.
- (viii) Trading Members are required to obtain prior approval of the Exchange for any change in shareholding pattern and change in composition of Promoter Group of Trading 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 Trading 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 Trading 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, Trading 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.



**9. TRANSFER OF BUSINESS / MERGER BY SEBI REGISTERED INTERMEDIARIES TO OTHER LEGAL ENTITY**

9.1. As per paragraph 67.2.1 of the Stock Broker Master Circular, Trading 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.

9.2. SEBI *via* paragraph 12 of the Stock Broker Master Circular 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 Trading Members (transferor/transferee) for making an application to the Exchange:

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





## **10. CHANGE IN DIRECTORS**

10.1. As per paragraph 67.2.1(b) of the Stock Broker Master Circular, and NSE/MEM/18010 dated June 08, 2011, requires all Trading Members to seek prior approval of the Exchange for change in Directors.

10.2. 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>

10.3. Eligibility requirements of Designated Directors:

- (i) There shall be at least 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 Trading 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 Trading Member shall meet the condition of fit and proper person like the criteria envisaged in the SEBI Intermediaries Regulations.
- (vi) The directors are not disqualified for being Trading 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 SCRR and the directors had not held the offices of the directors in any company which had been a Trading Member of the stock exchange and had been declared defaulter or expelled by the stock exchange.

10.4. In case of change in director (whether designated or non-designated) without exchange approval monetary penalty as specified in Circular Ref. No. NSE/INSP/53530 dated September 2, 2022, shall be levied.





## 11. CHANGE IN NAME OF TRADING MEMBERS

- 11.1. All Trading 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 (“ROC”)/ firms for change of name<sup>3</sup>.
- 11.2. The change in name process involves the following stages:
- **Stage 1** - 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, in case NSE is the Designated Stock Exchange.
  - **Stage 3** - Submission of documents to the Exchange for enablement on the NEAT and all other systems in the new name after receipt of SEBI Registration Certificate(s) with the new name.
- 11.3. 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>
- 11.4. The procedure for submitting the request is provided in Circular Ref. No. NSE/COMP/51582 dated March 10, 2022.
- 11.5. The name of Trading Member/Authorised Person should reflect the registration held by the entity and should not in any way create an impression of performing a role for which the entity is not registered. Trading Members are advised to ensure that their name and the name of their registered Authorised Person should not contain such words unless these entities have registered themselves in that capacity with SEBI/other regulators. An illustrative list is provided in Exchange circular ref. no. NSE/COMP/55716 dated February 22, 2023.
- 11.6. Exchange *vide* Circular Ref. No. NSE/COMP/63777 dated September 05, 2024 has notified that in case the Trading Members/Authorised Persons continue to use the restricted word(s), which creates an impression of performing a role for which the entity is not registered, following disciplinary action shall be taken till the Trading Member/Authorised Person complies:
- a) In case of Trading Member – No new client onboarding.

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<sup>3</sup> In view of NSE circular ref. no. NSE/COMP/55716 with regard to restriction on use of certain words by Trading Member/Authorized Person in their name, process of intimation for change in name by trading members stands withdrawn. Further, in accordance with SEBI circular ref. no. CIR/MIRSD/2/2011 dated June 03, 2011, point no. 2 of the Circular Ref. No. NSE/MEMB/10363 dated February 28, 2008 stands withdrawn. Hence, NSE Circular Ref. No. NSE/MEMB/10363 dated February 28, 2008 stands rescinded.



- b) In case of Authorised Person – No new client onboarding for the Trading Member with whom Authorised Person is affiliated.

## **12. CHANGE IN REGISTERED OFFICE ADDRESS**

- 12.1. In the event of change in registered office address, the Trading Members are required to inform the Exchange. Trading Members shall submit their request electronically through the ‘**Change in Registered Office Address**’ on ENIT- New Compliance with effect from February 28, 2022.
- 12.2. 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.
- 12.3. The process to submit the request is mentioned in Circular Ref. No. NSE/COMP/51461 dated Feb 28, 2022.

## **13. APPLICATION FOR ADDITIONAL SEGMENT MEMBERSHIP OF THE EXCHANGE**

- 13.1. In case a registered Trading Member opts for membership in an additional segment of the Exchange, Trading 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.

## **14. ADVERTISEMENT**

- 14.1. Advertisement shall include all forms of communication issued by or on behalf of or in relation to Stockbroker in publicly available media that may influence investment/trading decisions of any investor/prospective investors. It also includes internal communication to registered clients that may influence investment/trading decisions.
- 14.2. Forms of communications shall include but shall not be limited to all written or audio or visual form including social media forms including use of workshops and the like.
- 14.3. Broad guidelines in relation to the Advertisement are included as **Exhibit D – Guidelines for Advertisement**.
- 14.4. Approval provisions:
  - (a) Trading Members can apply for Advertisement approval through ‘NEW ENIT-COMPLIANCE’ module.
  - (b) A maximum number of 5 creatives can be included in one advertisement for approval.
  - (c) Copy of the complete advertisement including contents provided in the link shall be submitted in the form of pdf (videos to be provided either through email/CDs/Pen drives, any other acceptable mode) to the Exchange at least seven working days in advance before issuing the advertisement.

- (d) Trading Members shall provide an undertaking as per the format provided in **Exhibit E - Undertaking** confirming compliance with the code of advertisement.
- (e) Trading Members shall provide an undertaking as per the format provided in **Exhibit F - Artist Undertaking** while submitting the draft content/script/advertisement that has individuals forming a part of it, to the Exchange for approval.
- (f) Trading Members shall provide an undertaking as per format provided in **Exhibit G - Undertaking for Options trading** while submitting the draft content/script/advertisement that has references for trading in options.
- (g) In case a creative is issued in more than one language, Trading Member shall provide an Undertaking that the same is verbatim to the one issued in Hindi / English

#### 14.5. Penalties:

- (a) Trading Members not complying with the Code for Advertisement may have to face disciplinary proceedings including but not limited to penalty of Rupees One Lakh per instance (*Circular Ref. No. NSE/INSP/53530 dated September 02, 2022*) or any other penalty prescribed by the Exchange from time to time.
- (b) In case a Trading Member issues an advertisement despite Exchange rejection, the Trading Member shall be, in addition to the monetary penalty, restricted from taking new clients for one month or till such time the advertisement is taken down, whichever is later.
- (c) In case of repeated violations, monetary penalty shall be levied with an escalation of 50%.

Additionally,

- 1. In case Trading Member issues advertisement without Exchange approval on 3 occasions, member shall be debarred from taking new clients for one month.
- 2. In case Trading 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.
- 3. In case Trading Member issues advertisement despite Exchange rejection on two occasions, 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.
- 4. It may be noted that the penalties/disciplinary action(s)/charges are indicative in nature and could undergo change in specific cases depending on frequency and gravity of the violations. Such cases will be placed before the relevant authority of the Exchange for appropriate action.

Notwithstanding anything contained in these guidelines:



- (a) Trading Members must comply with code of conduct prescribed under Regulation 9 of SB Regulations and all relevant Byelaws, rules & regulations and of SEBI/Exchange with respect to sharing of Brokerage, account opening, inducement to trade, sales practices, orders placement etc. issued from time to time.
- (b) Decision of the Exchange shall be final in determining whether the advertisement is complying with this Code.

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

## **15. UPGRADATION OF MEMBERSHIP**

15.1. 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
- 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 INR 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.

15.2. 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>

### **15.3. Change in Class:**

*Vide* Exchange circular ref. no. NSE/MEM/21759 dated September 24, 2012, Exchange had launched Alpha Membership Category. In case a Trading Member wishes to convert their membership from Alpha to Normal or vice-versa, Member is required to apply to the Exchange:

- 15.3.1. The request should be made in writing by the Trading Member on the letterhead.
- 15.3.2. The request should be accompanied by a Board/Partners Resolution in case of a corporate/LLP/Partnership Firm.



15.3.3. The request should be signed by designated director/partner duly authorized for this purpose by Board / Partners Resolution. In case of proprietorship, the same should be signed by the proprietor.

## 16. MARGIN TRADING FACILITY

- 16.1. SEBI, *vide* paragraph 26 of the Stock Broker Master Circular has 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 SCRR.
- 16.2. In view of the same, SEBI permitted Trading Members to provide 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.
- 16.3. SEBI in paragraph 38 of the Stock Broker Master Circular has set out the revised framework for MTF.
- 16.4. Eligibility Requirements:
- (i) MTF is permitted only in Capital Market segment of the Exchange.
  - (ii) Only corporate Trading Members enabled in Capital Market segment are allowed.
  - (iii) The Trading Member should have a net worth of at least INR 3.00 crores, computed as per method of computation prescribed by Schedule VI of SB Regulations.
  - (iv) The Trading 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.
- 16.5. In accordance with the provisions of paragraph 38.1 of the Stock Broker Master Circular, Equity Shares and units of Equity Exchange Traded Funds (“ETFs”) that are classified as 'Group I security' shall be eligible for margin trading facility.
- 16.6. Trading Members are required to collect initial margin from their clients in the form of cash, cash equivalent or Group I equity shares or units of Group I Equity ETFs, (with appropriate haircut)

Category of Stock	Applicable margin
Group I stock available for trading in the F & O Segment	<p>VaR + 3 times of applicable ELM*</p> <p>Proviso: In case collateral was collected in form of cash from client towards margin for availing margin trading facility i.e. initial margin and such cash collateral was subsequently used for pay-in of said client and therefore not upstreamed to CC as collateral and margin is now</p>

Category of Stock	Applicable margin
	maintained ( i.e. maintenance margin) in form of funded stock received from CC to the extent of such cash used for payin then margin requirement on funded stock would be VaR + 5 times of applicable ELM*.
Group I stock other than F&O stock and units of Equity ETFs	VaR + 5 times of applicable ELM*

\*For aforesaid purpose, the applicable VaR and ELM shall be as in the cash segment for a particular stock.

- 16.7. Collateral in the form of securities under the margin trading facility shall be held by way of pledge only in terms of SEBI circular SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020.
- 16.8. Trading Members should ensure that the initial margin for availing MTF facility is collected as per the aforementioned prescribed rate on the purchase value of funded shares. The maintenance margin is maintained for all the open funded positions as per the aforementioned prescribed rate at all times on the cost of funded stock or market value of the funded stock whichever is lower. Further, Trading Members shall also ensure to collect Mark to Market margin (MTM) (in form of cash or non-cash collateral) in cases where the market value of the funded stock is less than the funded cost of the stock.  
  
Value of funded quantity used as maintenance margin will be calculated same as collateral security for the purpose of availability of margin collection.
- 16.9. The Exchange/Trading Member, based on the risk assessment, shall have the discretion to impose/collect higher margin than the margin specified in para-16.6 above. Trading 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.
- 16.10. 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. 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.
- 16.11. 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.

Trading Member shall not be permitted to borrow funds from any other source except listed above. Further, the Trading 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.

#### 16.12. Exposure and Leverage Limits

- (i) Total indebtedness of a Trading Member for the purpose of margin trading shall not exceed 5 times of its net worth.
- (ii) The maximum allowable exposure of the Trading Member towards the MTF should not exceed the borrowed funds and 50% of his Net worth;

The term “exposure” shall mean the aggregate outstanding margin trading amount as reduced by cash collateral collected from the client, if any, and used for pay-in purpose for the same client in the MTF books of the Trading Member for all his clients at any given point of time. The term “borrowed funds” shall mean the amount borrowed and not the sanctioned limit of borrowings

- (iii) While providing the margin trading facility, the broker shall ensure that:
  - i. Exposure to any single client at any point of time shall not exceed 10% of the Trading Member’s maximum allowable exposure.
  - ii. Exposure towards stocks and/or units of Equity ETFs purchased under MTF and collateral kept in the form of stocks and/or units of Equity ETFs are well diversified. Stock brokers shall have appropriate Board approved policy in this regard.

#### 16.13. Trading Members shall be required to comply with the following conditions:

- (i) The stocks or units of Equity ETFs deposited as collateral with the Trading Member for availing margin trading facility (Collaterals) and the stocks or units of Equity ETFs purchased under the MTF (Funded stocks) shall be identifiable separately and no comingling shall be permitted for the purpose of computing funding amount. Further, in case the broker has collected cash collateral from the client in form of margin for availing margin trading facility and the Trading Member has given the said cash collateral to the Clearing Corporation (CC) towards settlement obligation of the said client, then same can be considered as maintenance margin to the extent of securities received from CC against such cash collateral utilized towards settlement obligation of the said client and given to CC and such shares are pledged in favor of Trading Member in form of funded stock;





- (ii) Collateral and Funded stocks shall be marked to market on a daily basis.
- (iii) In case of increase in the value of Collaterals, Trading 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.

#### 16.14. 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 or Equity ETF (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 6 pm on the following trading day.
- (ii) The reporting for daily margin trading shall be done only through ENIT portal (<https://enit.nseindia.com/MemberPortal/>) and the path for uploading of Margin Trading Files is ENIT-NEW-Compliance> Compliance>MTR>MTR Submission. Reporting format is provided *vide* Circular Ref. no. NSE/COMP/64519 dated October 11, 2024 and is attached as **Exhibit H (Colly.) – Margin Trading**. Testing environment for revised reporting format of MTF is being provided *vide* Circular Ref. no. NSE/COMP/66522 dated February 5, 2025 to all the eligible Members i.e. members who have availed MTF facility for uploading the daily margin trading files as per the revised format.
- (iii) As per Exchange circular ref. no. NSE/INSP/53530 dated September 02, 2022, in case of failure to report daily MTF file successfully to the Exchange monetary penalty will be levied and other disciplinary action can be taken.

#### 16.15. Maintenance of Records

The Trading Member shall maintain the following records:

- A. Separate client-wise ledgers for funds and register of securities (collateral and funded stocks) of clients availing margin trading facility. Separate client wise ledgers for funds shall include the following:
  - Cash collateral collected in form of margin and used for Pay - In
  - Mark to Market (MTM) collected and maintained in Cash
  - Funded position without adjusting cash collateral mentioned above for margin & MTM
- B. Separate record of details of the funds used and sources of funds for the purpose of margin trading.





- C. Books of accounts, maintained by the Trading Member, with respect to the margin trading facility offered by it, shall be audited on a half-yearly basis and 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.

#### 16.16. Other Conditions

- (i) Trading 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 Trading 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 Trading Members shall not be covered under IPF.
- (iv) The Trading 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. Trading Members intending to avail approval/withdrawal for margin trading facility shall submit their application through ENIT portal at 'Margin Trading Approval/Withdrawal' module. Proforma for application format is made available on NSE website: Home>Trade>Resources for Members>All Formats>Format for Margin Trading Approval/Withdrawal. The process is mentioned in Exchange circular no. NSE/COMP/44854, dated July 02, 2020.

16.17. A detailed frequently asked questions (FAQ) provided *vide* Exchange Circular Ref. No. NSE/COMP/64519 dated October 11, 2024, has been enclosed as **Exhibit H (Colly.) – Margin Trading**.

#### 17. AUTHORISED PERSON (“AP”)

##### 17.1. 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.

##### 17.2. Appointment of AP

A Trading Member may appoint one or more AP(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.



### 17.3. Eligibility Criteria

An individual is eligible to be appointed as AP 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.

### 17.4. A partnership firm, LLP or a body corporate is eligible to be appointed as authorised person

- (a) if all the partners or directors, as the case may be, comply with the requirements contained in clause 18.3 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.

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

### 17.6. Conditions of Appointment

The following are the conditions of appointment of an AP:

- (a) The Trading Member shall be responsible for all acts of omission and commission of the authorised person.
- (b) All acts of omission and commission of the authorised person shall be deemed to be those of the Trading Member.
- (c) The authorised 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 Trading Member.
- (d) The AP shall receive his remuneration - fees, charges, commission, salary, etc. - for his services only from the Trading Member and he shall not charge any amount from the clients.
- (e) A person shall not be appointed as authorised person by more than one Trading Member on the same stock exchange.



- (f) A partner or director of an AP shall not be appointed as an AP on the same stock exchange.
- (g) The Trading Member and AP 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 AP can only act as a facilitator and provide administrative assistance to the clients of the Trading Member in accessing the trading platform of the Stock Exchange, failing which the AP and its Directors/partners shall be liable for appropriate disciplinary actions including cancellation of their registration, debarment from the securities market etc.

#### 17.7. Withdrawal of Approval

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

- (a) on receipt of a request to that effect from the Trading Member concerned or the AP, subject to compliance with the requirements prescribed by the stock exchange, or
- (b) on being satisfied that the continuation of AP is detrimental to the interest of investors or securities market or the AP at a subsequent date becomes ineligible under clause 4 above.

#### 17.8. Obligations of Trading Member

- (a) The Trading Member shall be responsible for all acts of omission and commission of his AP(s) and/or their employees, including liabilities arising there from.
- (b) If any trading terminal is provided by the Trading Member to an AP, the place where such trading terminal is located shall be treated as branch office of the stock broker.
- (c) Trading Member shall display at each branch office additional information such as particulars of AP in charge of that branch, time lines for dealing through AP, etc., as may be specified by the stock exchange.
- (d) Trading Member shall notify changes, if any, in the AP to all registered clients of that branch at least thirty days before the change.
- (e) Trading Member shall conduct periodic inspection of branches assigned to AP and records of the operations carried out by them.
- (f) The client shall be registered with Trading Member only. The funds and securities of the clients shall be settled directly between Trading Member and client and all documents like contract note, statement of funds and securities would be issued to client by stock broker. AP 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 authorised person.

- (g) Trading Members shall exercise adequate control and due diligence over the activities & transactions of their APs and conduct their periodic inspection in the manner as specified therein.
- (h) On noticing irregularities, if any, in the operations of AP, Trading Member shall seek withdrawal of approval, withhold all moneys due to AP till resolution of investor problems, alert investors in the location where AP operates, file a complaint with the police, and take all measures required to protect the interest of investors and market.
- (i) Trading Members are required to exercise adequate control and due diligence over the activities & transactions of their AP. Trading Member shall conduct periodic inspection of their AP and records of the operations carried out by them in accordance with Exchange circular dated August 28, 2024 ref. no. NSE/COMP/63628. On noticing irregularities, if any, Trading Member shall take necessary measures as mentioned 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) Trading Members should ensure that their AP 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 Authorised person and/or their Directors/Partners, employees etc., shall be deemed to be those of the Trading Member and the Trading Member shall be responsible for all such acts of its APs and/or their Directors/Partners, employees etc., including liabilities arising there from.
- (k) Trading Members shall ensure adequate scanning of social media to identify any mis-selling/ assured returns or unauthorised schemes operated by AP including loan transactions. It is hereby reiterated that Trading Members shall be mandatorily required to report any observed incidents related to assured returns or unauthorised schemes operated by the AP to the Exchange within one working day. On identification of any such case the Trading Member shall inspect the AP concerned/ investigate the matter and take appropriate actions as required. Trading Members are required to take necessary actions, including withdrawal of approval on disciplinary grounds, withholding funds due to the APs until investor issues are resolved, sending alert messages to investors in the APs location, filing complaints with the relevant police station, and implementing all necessary measures to safeguard the interests of investors and the market. Trading Members are required to maintain and provide documentary evidence of police complaints, press releases, advertisements issued to the market, communication logs of alert messages sent to investors, and other measures taken to safeguard interest of investors including disciplinary actions taken against the APs.
- (l) Trading Members are hereby advised to perform enhanced due diligence to ascertain the suitability of an AP for their role. This includes in-person verification, site visits, PAN validation, background checks, scrutiny of all demat and bank account statements

of the APs, continuous screening / verification that they are not debarred by SEBI & Exchanges, and including any other verification as deemed fit by the Trading Member.

- (m) Further, the details of AP such as address, contact details, details of directors/ Partners of AP, terminals allocated, no. of clients etc. need to be updated in Exchange records from time to time. In cases where APs are operating from Trading Member's branch/offices the said members ought to maintain appropriate segregation of the space allocated to such AP. Such Trading Member locations should also have the mandatory display pertaining to a particular AP in addition to that of the Trading Member.
- (n) Trading Members are advised to ensure that their name and the name of their registered Authorised Person should not contain words such as Advisors, Asset/Wealth/Portfolio Management etc unless these entities have registered themselves in that capacity with SEBI/other regulators. The list of names/words which are not permitted is mentioned in circular ref. no. NSE/COMP/55716 dated February 22, 2023. 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.

#### 17.9. Inspection of Authorised Persons

- (i) To enhance the effectiveness of supervision and ensure uniformity and standardisation across all Trading Members, the minimum / indicative scope, criteria and guidelines of AP Inspections, along indicative methodology, in joint consultation with other Exchanges have been revised *vide* Circular Ref. No. NSE/COMP/63628 dated August 28, 2024 and are attached as **Exhibit I - Scope and Indicative Methodology for Inspections**.
- (ii) Exchange *vide* Circular Ref. No. NSE/COMP/ 65970 dated January 03, 2025 has provided functionality in ENIT to the Trading Members for reporting the AP inspection details. Trading Members should comply with guidelines prescribed in Exchange Circular NSE/COMP/63628 dated August 28, 2024, and submit the details in the revised format available on the ENIT portal. To submit the details, Trading Members can follow this path on the ENIT portal: **Compliance Tab → Authorised Person → Applications → Inspection of Authorised Person New**.
- (iii) The reporting shall be done in the following manner:
  - (a) 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



- (b) All fields mentioned are mandatory. Once submitted, the data cannot be edited. Please ensure all details are thoroughly checked before final submission
- (c) If no inspections are conducted during a particular quarter, Trading Members will have to mandatorily submit a “Nil” declaration for that quarter.

#### 17.10. Reporting of clients mapped to Authorised person

- (i) Trading Members are required to upload the details of clients mapped to the APs, if any, against the respective APs in the Exchange database, as per the timelines prescribed under NSE Circular Ref. No. NSE/COMP/49509 dated September 03, 2021, as also specified below.
- (ii) The details shall be uploaded on a weekly basis, on or before the next 2 trading days of subsequent week.

The details shall be reported electronically through ENIT using the following path New ENIT > Compliance > Authorised Persons > Applications > Update Client Details. Trading Members are advised to ensure that details of the clients reported should match with the Exchange UCC records.

#### 17.11. Annual Maintenance Charge

Annual Maintenance Charge (“AMC”) fees of Rs 5,000/- each for all registered APs, as per the Exchange’s records as of March 31 of each year, will be imposed for the next financial year in the month of April of that year. Once AMC has been charged, it will not be refunded even if AP registration is cancelled during the year due to any reason including disciplinary action.

There is no fees charged for cancellation of AP registration. Trading Member

##### Fee Structure:

Activity	Revised Fees
AP Registration	<ul style="list-style-type: none"><li>• INR 5000/- per segment for Capital Market, Futures and Options and Currency Derivatives segments</li><li>• INR 500/- for Commodity segment</li></ul>
AP Cancellation	NIL
AP Annual Maintenance Charge	INR 5,000/- for all segments (plus applicable GST)

17.11.1. Inactive APs can potentially disrupt the smooth operation of the trading system and impact investor confidence. In addition to monitoring the trading terminals and activities of APs, Trading Members are advised to regularly review the status of all their registered APs, irrespective of whether they have been assigned Trading Terminals and take appropriate action by cancelling the registration of those APs that have displayed prolonged inactivity, spanning over a period of 6 months or more. on

an immediate basis. Trading Members are required to monitor that trades placed on the AP terminal are commensurate with the number of clients mapped to them. Accordingly, Trading Members are advised to cancel registration of such APs before March 31 every year to avoid AMC being levied.

- 17.11.2. At all points in time, Trading Members shall exercise adequate control and due diligence over the activities, conduct and transactions of their APs by conducting surprise and periodic Inspections and taking regular feedback from the clients of the APs. In case any anomaly is identified, Trading Members shall take necessary disciplinary actions against their APs. Further, Trading Members shall be vicariously and severally liable for any violation committed by their APs including operating any schemes of unauthorised collective investments/portfolio management and promising indicative/guaranteed/fixed returns etc. The Indian Contract Act, 1872 defines an ‘Agent’ in Section 182 as a person employed to do any act for another or to represent another in dealing with third persons. Accordingly, all provisions of Indian Contract Act, 1972 with respect to ‘Agent’ shall be applicable to Trading Members and APs associated with them.
- 17.11.3. It is further reiterated, that Trading Members shall be held responsible and accountable for all acts of omission and commission of their APs and/or employees at their branches including any arrangements entered by the AP/employees with the clients of the Trading Member including:
- (a) Any unauthorised trading on behalf of the investors
  - (b) Participation in any scheme of price manipulation willingly or unwillingly
  - (c) Allowing investors to trade in instruments or amounts beyond limits specified in the SEBI/Exchange regulations/circulars.
- 17.11.4. Enhanced due diligence to be done by the Trading Members:
- (a) As per the existing process, Trading Members are required to submit KYC documents of the APs, at the time of onboarding. With a view to ensure that an AP is suitable for the role, Trading Members are hereby advised to perform enhanced due diligence, by means of in-person verification/site visits, validating their PAN, conducting background checks, scrutiny of all demat and bank account statements of the APs, continuous screening / verification that they are not a part of SEBI & Exchange debarred list (ongoing basis), and including any other verification as deemed fit by the Trading Member.
  - (b) That all the details pertaining to the APs are provided at the time of onboarding, such as complete address (including Premises number, Building name, Area, City, State and Pin code) along with valid email address and contact number (for e.g., valid 10-digit mobile number/landline with City code). Further, Trading Members shall ensure that email address and contact details of an AP are not mapped to any of their existing APs and or clients of the Trading Members. A continual monitoring process should be in place, to identify such instances.





- (c) Trading Members shall ensure following:
  - (i) Director/Partner of a registered AP/Trading Member is not appointed in the capacity of AP with any other Trading Member, or the same Trading Member registered with the Exchange.
  - (ii) Director/Partner of an AP is not associated as Designated Director/Designated Partner/Compliance Officer with any Trading Member registered with the Exchange.
  - (iii) Director/Partner of AP is not associated as Director/Partner with other AP registered with the Exchange.
  - (iv) Further an Authorised person shall be affiliated with only one Trading Member of the Exchange at any point in time.
- (d) Trading Members should restrict entities with names which may mislead clients/investors, including names with “Portfolio/wealth management/advisory” without a valid SEBI registration as specified in the Exchange Circular Ref. No. NSE/COMP/55716 dated February 22, 2023.

17.11.5. Trading Members are advised to capture actual reason on ENIT portal, while cancelling AP registration based on disciplinary grounds.

## **18. APPOINTMENT OF COMPLIANCE OFFICER AND UPDATION OF PAN OF KMPS**

### **18.1 Appointment of Compliance Officer**

- (a) As per Regulation 18A of SB Regulations and Circular Ref. No. NSE/MEM/3441 dated June 14, 2002, wherein all Trading Members are required to appoint a Compliance Officer and intimate the details to the Exchange. Trading Members are advised to appoint Compliance Officer according to Exchange circular ref no NSE/COMP/54600 dated November 25, 2022.
- (b) Trading Members shall undertake the intimation/updation of Compliance Officer through the ENIT portal by following the said path: ENIT New Compliance-Compliance-Member Details- Change in Compliance Officer Request.

### **18.2 Guidelines on Compliance Officers**

- (a) As per Regulation 18A of the SB Regulations , all registered Trading Members of the Exchange are required to appoint a Compliance Officer who shall be responsible for monitoring the compliance of the SEBI Act, rules and regulations, notifications, guidelines, instructions, etc., issued by SEBI or Central Government or Exchanges for redressal of investors’ grievances. The Compliance Officer is required to immediately and independently report to SEBI/Exchanges any non-compliance observed by him.
- (b) Further, as per the current regulatory requirement, Compliance Officers are required to clear the NISM-Series-III A: Securities Intermediaries Compliance (Non-Fund)



Certification Examination, within one year from the date of their employment, in terms of Gazette of India notification dated March 11, 2013, issued by SEBI. The certification is valid for a period of 3 years. The recertification can be undertaken either by clearing the NISM exam or attending the CPE program of NISM. Currently there are no guidelines prescribed by SEBI/Exchange w.r.t the eligibility of compliance officers, tenure, and their continued suitability on an ongoing basis.

- (c) In order to have a robust compliance system, Trading Members should have an effective compliance culture and a strong compliance risk management programme. The Compliance Officer plays an important role in facilitating compliance by promoting strong regulatory practices that ensure risk management, investor protection and market integrity. Hence, the Compliance Officer should be selected through a suitable process with an appropriate 'fit and proper' evaluation/selection criteria to manage the compliance risk effectively. In this regard, the following guidelines are proposed:

### **18.3 Applicability:**

The below mentioned guidelines are applicable to the employee designated as Compliance officer:

### **18.4 Eligibility criteria for appointment of Compliance Officers post December 01, 2022:**

- (a) Educational qualification: An individual shall be eligible to be appointed as Compliance Officer if he/she has passed graduation or an equivalent examination from a Government recognized institution. All the existing Compliance Officer of Trading Members on record of the Exchange having experience of 2 years or more shall be exempted from the above-mentioned criteria for educational qualification.
- (b) Experience: At the time of appointment, the candidate should at least have 2 years of prior work experience in banking or financial services, handling Audit/Finance/Compliance/Legal/Operations/Risk Management functions.
- (c) Skills: The eligible candidate should have good understanding of securities market industry, risk management, knowledge of regulations, legal framework and regulatory expectations.

### **18.5 Certification Requirement:**

- (a) Compliance officers shall be required to pass the NISM-Series-III A: Securities Intermediaries Compliance (Non-Fund) Certification Examination within 1 year from the date of employment in terms of SEBI notification dated March 11, 2013. The Compliance Officer shall ensure that the certification is renewed before the completion of its validity, as per the procedure specified by NISM, from time to time.
- (b) In order to ensure that the Compliance Officer is well informed of all relevant laws and amendments thereof, it is essential that there should be a continuing education program for him/her. In this regard, Trading Members shall impart half-yearly training to their compliance officers which will cover subject-wise key regulatory requirements and regulatory changes made in the last six months.

**18.6 Tenure:**

- (a) Trading Members shall ensure that any transfer / removal of Compliance Officer is done with explicit prior approval of the Board/ Partners as the case may be and, after following a well-defined and transparent internal administrative procedure and reasons be recorded in writing.
- (b) In case of any change in Compliance Officer due to any reasons beyond the control of the Member such as death, resignation etc., Trading Members are required to intimate the Exchange within 7 working days of such a change. In case of such unforeseen change, the Compliance Officer should be appointed within three months from the date of death/resignation of the erstwhile Compliance Officer and confirm the same to the Exchange.
- (c) Notwithstanding the above, the office of the Compliance Officer shall not remain vacant for more than 15 calendar days. In the event of resignation/demise etc. Trading Member should appoint an interim Compliance Officer till such time a regular Compliance Officer is appointed within 3 months from the date of vacation of office.

**18.7 Due diligence requirements:** Trading Members shall ensure that the person appointed as Compliance Officer is “fit and proper” in terms of Schedule II of SEBI Intermediaries Regulations, 2008.

**18.8 Familiarization program:** Trading Members shall provide half yearly compliance training program to all the compliance officers including newly appointed officials. It will be mandatory to attend the said program. Individuals who have served as compliance officers for more than a year and have joined another Trading Member in the same capacity, shall be excluded from the aforesaid program. The training content will include all compliance requirements with respect to trading, Clearing/settlement, inspections, Membership compliance, investor grievance redressal mechanism, surveillance related compliance requirements.

**18.9 Authority:** The Compliance Officer shall have the ability to independently exercise judgement in all matters of compliance and regulations. The Compliance Officer should have the freedom and sufficient authority to interact with regulators/supervisors directly and ensure compliance. In addition, he/she shall have the necessary authority to communicate with any staff member and have access to all records or files that are necessary to carry out entrusted responsibilities in respect of the compliance issues.

It should be ensured that the Compliance Officer or any staff of his office is not assigned any responsibility which brings elements of conflict of interest, especially any role relating to business development/sales. The Compliance Officer shall under no circumstances act in such a dual capacity.

**18.10 Allotment of Trading Terminals:** Trading Members shall ensure that no trading terminal is allotted to the Compliance Officer or any staff of his office except for the purpose of risk management /monitoring/testing or for view only purpose and no trades shall be executed from such terminals.



- 18.11 **Action by Exchange:** The Exchange shall also reserve the right to seek necessary explanations from the Compliance Officer or record his/her statements in terms of the relevant rules/regulations of the Exchange and initiate suitable disciplinary action against him/her including debarment or directing the Trading Member for removal, if he/she is found to have failed to carry out his/her responsibilities in a reasonable manner. All actions shall be initiated by the Exchange, after following due process and providing an opportunity of hearing to the Trading Member /Compliance officer.

#### 18.12 **Updation of PAN of KMPs**

In order to comply with the Enhanced Supervision of Stock Brokers / Depository Participants requirements, Trading Members are required to identify their Key Management Personnel (KMP) and update their PAN details on the Exchange platform.

Trading Members are required to note that –

- (a) Trading Members shall refer to the definition provided under Section 2(51) of the Companies Act, 2013, in order to ascertain Key Management Personnel which include (i) the Chief Executive Officer or the Managing Director or the Manager; (ii) the Company Secretary; (iii) the Wholetime Director; (iv) the Chief Financial Officer; and (v) such other officer as may be prescribed. Further, the Trading Member can also identify and declare any one or more personnel as their KMP(s) from the given list as per their constitution: Directors, Compliance Officer, Proprietor, Partners or any other competent personnel as identified by the said member.
- (b) Details of PAN, mobile no., phone no. and email ID are required to be updated against the name of the personnel identified as KMP in ENIT portal (<https://enit.nseindia.com/MemberPortal/>) and the path is ENIT-NEW-Compliance> Compliance>Key Management Personnel>KMP Details. Detailed procedure is provided in **Exhibit J - Updation of KMP details**.
- (c) Trading Members are required to comply with the aforementioned requirement latest by June 30 of every year.
- (d) Failure to submit/upload the details within the prescribed timelines, would be treated as non- compliance and attract a levy of late submission charges of INR 10,000/- per KMP in accordance with Exchange circular ref. no. NSE/INSP/53530 dated September 02, 2022.
- (e) Trading Members are also required to note that any change in the aforesaid information/details has to be updated within 7 days of such change. Failure to adhere will be treated as non-compliance.

#### 19. **TERMINALS ABROAD**

- 19.1. Trading Members who wish to operate 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).

19.2. Eligibility Criteria:

Trading terminals shall be opened only by the SEBI registered Trading Members of the Exchange only after obtaining permission from the Exchange and SEBI. Opening of terminals through AP is not permitted.

19.3. RBI Permission:

Terminals abroad opened shall be subject to the guidelines laid down by the RBI. Trading Members are required to comply with all the circulars / guidelines / rules etc. issued by RBI from time to time.

19.4. 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. Trading 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.

19.5. 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 Trading 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.

19.6. 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.

19.7. 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.

19.8. 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.

19.9. Monitoring & Surveillance:

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

19.10. Grievance Redressal Mechanism:

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

19.11. 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.

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

- (i) Bank approval for opening branch/office abroad under FEMA regulations
- (ii) Approval letter granted for opening branch/office from the concerned authorities of the respective foreign countries
- (iii) Letter on letter head of TM that all relevant RBI guidelines will be complied
- (iv) Letter on letter head of TM that all relevant SEBI guidelines w.r.t. opening of trading terminals abroad will be complied *vide* letter SMDRP/POLICY/TTA- 14072/99 dated July 10,1999 and any revision thereafter
- (v) Letter on letter head of TM that all relevant Exchange Rules, Regulations and Byelaws will be complied, and terminals will not be given through AP.
- (vi) Details of connectivity for terminals abroad
- (vii) 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
- (viii) Letter asking for granting approval for locating terminals abroad along-with location where the terminals will be located.



## **20. TRADE THROUGH OTHER MEMBERS**

20.1. As per paragraph 31.1 of the Stock Broker Master Circular<sup>4</sup>, the following must be ensured:

- (i) A Trading Member of the Exchange cannot deal with Trading 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 Exchange while giving such permission, shall consider the reasons stated by the Trading Member for dealing with Trading Members of the Exchange and after carrying out due diligence allow such Trading Members to deal with only one Trading Member of the Exchange.
- (ii) A Trading Member of the Exchange can deal with only one trading member of another exchange for proprietary trading after intimating the names of such trading member to the Exchange.

20.2. The format for making application and submitting intimation 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. The application for approval/intimation to Exchange shall be submitted through ENIT at path ENIT New-Compliance > Compliance > Trade through Other Member > Trade through Other Member Submission/Trade through Other Member Intimations

20.3. Monetary penalty of INR 30,000/- per Trading Member will be levied where the account is opened with other Trading Member without intimation to Exchange (*Circular Ref. No. NSE/INSP/53530 dated September 2, 2022*).

## **21. GUIDELINES FOR SEEKING NOC BY STOCKBROKERS FOR SETTING UP WHOLLY OWNED SUBSIDIARIES, STEP DOWN SUBSIDIARIES, JOINT VENTURES IN GIFT IFSC**

21.1. SEBI *vide* paragraph 69 of the Stock Broker Master Circular issued guidelines for granting NOCs for setting up Wholly Owned Subsidiaries, Step Down Subsidiaries, Joint Ventures, etc. in GIFT IFSC.

21.2. Stock Brokers shall apply through a Stock Exchange where the applicant is a Trading Member, along with the required information, documents and NOC received from all Stock Exchanges /Depositories in which the applicant is a member. The format of the application is provided at Annexure 35 of Stock Broker Master Circular.

### **21.3. Submission of application at NSE**

The Trading Members of the Exchange are required to submit the below documents along with the documents prescribed by SEBI (*at Annexure – 35 of the Stock Broker Master Circular*) to obtain NOC:

- (a) Request Letter addressed to Exchange on the letter head of the Trading Member;

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<sup>4</sup> SEBI Master Circular for Stock Brokers dated August 09, 2024, SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110.





- (b) Board / Partners Resolution; and
- (c) Status Report of Stock Exchanges.

**22. EMPANELMENT OF BACK OFFICE VENDORS FOR OBTAINING THIRD PARTY VENDOR SERVICES AND SUBMISSION OF DOCUMENTS FOR IN HOUSE BACK-OFFICE FACILITY**

- 22.1. As per Exchange Circular Ref. No. NSE/COMP/53088 dated July 26, 2022, to achieve uniformity in the formats in which the books and accounts are maintained by the Trading Members and to harmonize the formats under which various data is submitted to Exchange, it has been decided to empanel Backoffice vendors.
- 22.2. Exchange *vide* Circular Ref. No. NSE/COMP/54706 dated December 02, 2022, advised Trading Members having in-house Backoffice software to submit required documentation through ENIT. The user manual in relation thereto is enclosed herewith as **Exhibit K - User Manual for Submission of Back Office Details**.
- 22.3. Additionally, Exchange *vide* Circular Ref. No. NSE/COMP/61375 dated March 28, 2024, reviewed and revised the required Undertakings for both Trading Members and Backoffice Vendors to streamline the submission process and ensure greater efficiency. The operating guidelines to be followed by Trading members for empanelling members / Backoffice Vendors is provided in **Exhibit L (Colly.) - Back Office Vendors**.

**23. ONLINE BOND PLATFORM PROVIDER UNDER THE DEBT SEGMENT**

- 23.1. SEBI *vide* circular ref. no. SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2022/154 dated November 14, 2022 and circular ref. no. SEBI/HO/DDHS/POD1/P/CIR/2023/194 dated December 28, 2023, has defined the regulatory framework for operations of Online Bond Platform Providers (“OBPPs”). OBPPs shall register itself as a stockbroker in the debt segment of the Stock Exchange and has to apply to a recognized stock exchange to act as an OBPP.

*Advertisement Code*

- 23.2. Exchange *vide* Circular Ref No. NSE/COMP/64980 dated November 08, 2024, has advised all the Trading Members who are exclusively registered as OBPPs to ensure that advertisements issued should be in conformity with the advertisement code as specified in **Exhibit M - OBPP – 1, Exhibit M – OBPP – 2 and Exhibit M – OBPP – 3**.
- 23.3. The Trading Members who are registered as OBPP and have registration for other segments are advised to issue the advertisement as follows:
  - (a) For OBPP related advertisement: Advertisement Code as specified in **Exhibit M - OBPP – 1, Exhibit M – OBPP – 2 and Exhibit M – OBPP – 3**.
  - (b) For other products/segments advertisement: Advertisement Code issued by NSE *vide* circular ref. no. NSE/COMP/55482 dated February 02, 2023, referred to in paragraph 14 (*Advertisement*) of this Master Circular.

**24. RULE 8(1)(F) AND 8(3)(F) OF SECURITIES CONTRACTS (REGULATION) RULES, 1957**

- 24.1. The Rule 8(1)(f) and Rule 8(3)(f) of SCRR, requires that members of a Stock Exchange, except those provided under Rule 8 (8) of SCRR, shall not engage either 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.
- 24.2. SEBI *vide* paragraph 26 of the Stock Broker Master Circular has clarified, *inter alia*, that borrowing and 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) and 8(3)(f) of the SCRR. Further, SEBI *vide* paragraph 8.4 of the Stock Broker Master Circular has clarified that business in goods related to the underlying” and/ or “business in connection with or incidental to or consequential to trades in commodity derivatives”, by a member of a commodity derivatives exchange, would not be disqualified under Rule 8(1)(f) and Rule 8(3)(f) of the SCRR.
- 24.3. 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 Trading Member, are provided as below.
- (a) Issuing Corporate Guarantees towards credit facilities availed by any entity, including group companies such as subsidiaries & associates etc. of the Trading Member, not in connection with or incidental to or consequential upon securities / commodity derivatives business, as applicable.
  - (b) Deposit pledged with the bank for overdraft facilities availed by any entity, including the group companies such as subsidiaries & associates etc. of the Trading Member, not in connection with or incidental to or consequential upon securities / commodity derivatives business, as applicable.
  - (c) Borrowing of funds for the purpose of granting loans to its associates/ group companies or other entities.
  - (d) Issuing commercial papers to raise money (except as permitted *vide* Exchange circular No: NSE/COMP/35521 dated August 03, 2017, for providing the margin trading facility) and funding it to any entity including group companies, not in connection with or incidental to or consequential upon securities business.
  - (e) Engaging into activities/schemes of unauthorised collective investments/portfolio management, promising or indicating fixed/guaranteed/regular returns/capital protection.
  - (f) Entering into any arrangement with clients to extend loans, financing the securities transactions directly/indirectly except as allowed for Margin Trading purposes.
  - (g) Any arrangement with registered clients to borrow funds/loans.



It is clarified that if the lender (who is also a registered client of Trading Member) is a director, associate or group company, then Trading Members, who are constituted as a company, are permitted to take loans from such clients to meet the working capital requirements.

- (h) Pledging of client securities with Bank/NBFC for raising funds.
- (i) Entering into any arrangement for extending loans or giving deposits / advances to any entity, including group companies such as subsidiaries & associates etc., not in connection with or incidental to or consequential upon the securities/ commodity derivatives business.
- (j) 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.)

It is clarified that Trading 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. Further, Trading 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: Trading Member's setting up IT subsidiaries for developing trading/back office related software etc). 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.

- (k) Entering into any arrangement/scheme for accepting securities from any client/ entity other than through approved Securities and Lending Borrowing mechanism into the own Demat account of the Stockbroker/director/shareholder/entity associated with Trading Member.
- (l) Entering into any arrangement/scheme and providing a platform to the clients for buying and selling of digital gold or any product not covered under the definition of securities as per SCRR.

The activities mentioned above are only illustrative in nature. On a case-to-case basis and based on the gravity of the violation, the relevant authority of the Exchange shall deal with such non-compliances after following the due process and providing the necessary opportunity to the Trading Members for clarification in the matter.

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 , Merchant Banking etc., executed either directly or indirectly are not eligible for compensation from Exchange's IPFT.



#### **ITEM No. 4: MANDATORY SUBMISSIONS/COMPLIANCES**

##### **25. SUBMISSION OF HALF YEARLY NET-WORTH CERTIFICATE**

- 25.1. As per Regulation 9 of SB Regulations and the continuing membership norms of the Exchange, all Trading 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.
- 25.2. Trading 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.
- 25.3. Trading Members who have taken approval from the Exchange for availing MTF facility are required to submit the half yearly Net-worth within 1 month from the end of respective half year in the format prescribed for them.
- 25.4. As per Circular Ref No. NSE/COMP/55447 dated February 01, 2023, the Net-worth is required to be computed as per the method of computation specified in Schedule VI of SB Regulations. The half yearly Net-worth certificate is required to be submitted through ENIT. The link for submitting the Net-worth certificate is made available on ENIT- NEW-COMPLIANCE. All Trading Members are required to strictly adhere to the timelines prescribed and no additional time shall be provided for submission of the Net-worth certificate.
- 25.5. Trading Members are requested to adhere and comply with the applicable Net-worth (i.e., higher of the Base Net-worth or Variable Net-worth) as stated in Schedule VI of the SB Regulations.
- 25.6. Trading Members are advised to refer to Exchange Circular ref no. NSE/COMP/55447 dated February 01, 2023 and NSE/COMP/61335 dated March 27, 2024 for clarification on ascertaining Net-worth as per SB Regulations .
- 25.7. In case the reported Net-worth is less than the minimum Net-worth required or reported Net-worth has a variation of 25% or more as compared to the last reported half yearly Net-worth, Trading Members are required to mention the reason for the same when submitting the same on ENIT.
- 25.8. In case of any shortfall in Net-worth, a revised Net-worth certificate as on a subsequent date meeting the minimum required Net-worth shall be submitted along with the original Net-worth certificate before the due date.
- 25.9. Non-submission of Net-worth certificate within the due date or in case of any shortfall, failure to submit a revised Net-worth certificate along with the original Net-worth certificate, shall result in immediate withdrawal of trading rights/margin trading facility, as the case may be.
- 25.10. Exchange circular NSE/COMP/53530 dated September 02, 2022, provides the disciplinary action in case of Net-worth shortfall and non-submission of Net-worth. The details are as under:
  - (a) Action for reporting shortfall in Net-worth

<b>ACTION FOR REPORTING SHORTFALL IN NETWORTH</b>	
<b>For Trading Members</b>	<p><b>Requirement:</b> In case of a Net-worth shortfall as on 31<sup>st</sup> March / 30<sup>th</sup> September, Trading 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.</p> <p><b>Action in case of shortfall and failure to submit revised certificate with adequate Net-worth:</b> Trading Member's trading rights shall be immediately disabled within 2 working days from the date of submission, in all segments of the Exchange.</p>
Trading Members providing Margin Trading Facility	<p><b>Requirement:</b> In case of a Net-worth shortfall as on 31<sup>st</sup> March / 30<sup>th</sup> September, Trading 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.</p> <p><b>Action in case of shortfall and failure to submit revised certificate with adequate Net worth:</b> Immediate withdrawal of MTF within 2 working days from the date of submission.</p>

(b) Action for non-submission of Net-worth

<b>ACTION FOR NON-SUBMISSION</b>	
<b>For Trading members (other than providing MTF)</b>	Immediate disablement within two working days from the date of submission, in case of non-submission of Net-worth within 2 months from the end of the half year
<b>Trading Members providing Margin Trading Facility</b>	Immediate withdrawal of MTF within 2 working days post the due date

(c) Disciplinary action for non-compliance with minimum Net-worth requirement by SME Market Maker

In view of the revision in Net-worth requirement as per Exchange Circular *vide* Ref No. NSE/MSD/58186 dated August 31, 2023, Exchange *vide* Circular Ref. No. NSE/COMP/63440 dated August 16, 2024 has advised Trading Members to note the revision in disciplinary action for not meeting Net-worth requirement by SME Market Maker mentioned below:

<b>VIOLATION</b>	<b>PENALTY/ DISCIPLINARY ACTION</b>
Failure to meet the minimum Net-worth requirement for SME market making as specified <i>vide</i> Exchange circular ref no. NSE/MSD/58186 dated August 31, 2023 which has been subsumed under Capital Market Consolidated Circular, Ref. No. NSE/CMTR/61813 dated April 29, 2024.	No new market making assignments on SME platform will be allowed.
	The Lead Manager to the Issue and Market Maker should ensure that the required net worth is reported on a periodic basis to the Exchange.
	The Lead Manager and Listed Company shall take necessary steps to appoint another Market Maker within 15 days of the notice from the Exchange.
	If The Lead Manager and Listed Company fail to take necessary steps within the stipulated timeframe, disciplinary action shall be initiated against Lead Manager including reporting the matter to SEBI.
	Till such time new Market Maker is appointed, the present Market Maker shall continue to do market making w.r.t. the listed companies in the interest of investors to ensure adequate liquidity is made available on the SME platform.
	If name of the defaulting Market Maker is appearing in the RHP, the Lead Manager will be required to replace its name with another Market Maker who is fulfilling the criteria.

## **26. SUBMISSION OF ANNUAL RETURNS**

- 26.1. 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 31<sup>st</sup> March on or before October 31 of the subsequent financial year or such due date as may be specified from time to time.
- 26.2. The Annual Returns shall be submitted through the ENIT portal (<https://enit.nseindia.com/MemberPortal/>).
- 26.3. All Trading 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.



- 26.4. Exchange circular NSE/COMP/53530 dated September 02, 2022, prescribes the disciplinary action in case of non-submission annual returns.
- 26.5. As per paragraph 15.7.2 of the Stock Broker Master Circular, Trading 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.
- 26.6. No Trading 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:
- 26.7. 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.
- 26.8. 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 stockbroker 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.
- 26.9. Trading Members are required to submit details of inventory of assets as on March 31<sup>st</sup> of every year prior to submission of Annual Return.
- 27. SUBMISSION OF DECLARATION ON POLITICALLY EXPOSED PERSONS**
- 27.1. Trading Members are required to submit a declaration on Politically Exposed Persons (“PEP”) as on March 31 on an annual basis at the path New ENIT > Compliance > Politically Exposed Person > PEP Declaration submission. Kindly note that the submission of declaration of PEP is mandatory before submission of Annual Returns.
- 27.2. Trading Members shall undertake to update the PEP status of the Member and submit a revised declaration on the ENIT Portal, as and when required.
- 28. MANDATORY INSURANCE COVER**
- 28.1. 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 31<sup>st</sup> 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.
- 28.2. Submissions of details of Stock Broker Indemnity Policy are required to be made by way of upload in electronic format through ENIT. The procedure for submitting details of Stock broker





Indemnity Policy in electronic format through ENIT is provided *vide* Exchange Circular Ref. No. NSE/COMP/62173 dated May 24, 2024, enclosed as **Exhibit N - Mandatory Insurance Cover**.

- 28.3. Trading Members opting for Stock Brokers Indemnity Policy through Association of National Exchanges Members of India and Bombay Stock Exchange Brokers' Forum need not submit the details of Stock Brokers Indemnity Policy through ENIT.
- 28.4. Trading 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 INR 1,000/- per day till the date of submission of proof of renewal of insurance cover. (*Circular Ref. No. NSE/INSP/53530 dated September 02, 2022*).

## **29. SUBMISSION OF ARTIFICIAL INTELLIGENCE & MACHINE LEARNING (AIML) DETAILS**

- 29.1. In terms of paragraph 62 of the Stock Broker Master Circular, Trading Members, offering or using applications or systems as mentioned below are required to report w.r.t. AI / ML based application or system:

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. e.g.: 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. e.g.: 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. E.g.: 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.



- 29.2. Exchange *vide* Circular NSE/COMP/59700 dated December 12, 2023 has revised the timeline for reporting Artificial Intelligence (“AI”) and Machine Learning (“ML”) applications and systems with immediate effect:

Intermediary	Timeline for reporting of AI/ML applications
Trading Members using Algorithm software	Half yearly basis within 15 calendar days of the expiry of the half year
Other Trading Members	Annually within 15 calendar days of the expiry of the year

- 29.3. The reporting shall be undertaken electronically through ENIT Portal – **NEW ENIT > COMPLIANCE > ‘ML AND AI’ > ML and AI DETAILS**. The link for accessing the portal is (<https://enit.nseindia.com/MemberPortal/>). User manual for submission of AI ML through ENIT portal is attached as **Exhibit O - Manual for AIML submission**.
- 29.4. Kindly note that the requirement of reporting of AI / ML based application or system is defined in Annexure 27 and reporting format is provided in Annexure 26 of SEBI Stock Broker Master Circular, and continues to remain the same. The submission of AI/ML applications is mandatory for all active Trading Members of the Exchange (i.e. those who have executed even a single trade during the half year/annual period as mentioned above), irrespective of whether they are using AI/ML systems or not. The Members who do not use AI/ML based systems are also required to submit the “NIL” report.
- 29.5. Trading 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 INR 10,000/- for each half – year / annual period (*Circular Ref. No. NSE/INSP/53530 dated September 02, 2022*).

### 30. SUBMISSION OF REQUEST FOR STATUS REPORT

- 30.1. Exchange *vide* Circular Ref. No. NSE/COMP/64140 dated September 25, 2024 informs all the Trading Members that the existing functionality for submitting Status Report request through old ENIT will be migrated to new ENIT. Kindly use the below path to submit a request for Status Report: ENIT-COMPLIANCE-NEW > Compliance > Status Report. The User Manual is annexed as **Exhibit P - User Manual - Status Report** for reference.

### 31. FRAMEWORK TO ADDRESS THE ‘TECHNICAL GLITCHES’ IN TRADING MEMBER’S ELECTRONIC TRADING SYSTEMS

SEBI Stock Broker Master Circular in paragraph 64 and Exchange Circular Ref No. NSE/COMP/54876 dated December 16, 2022, prescribes guidelines/Standard Operating Procedure (SOP) for handling technical glitches at the Trading Members end as well as provide a framework for Capacity Planning, Software Testing, Change Management, and Business Continuity Planning (“BCP”)/Disaster Recovery (“DR”). The provisions of the circular are applicable to all Trading Members providing ‘Internet and Wireless technology-based trading facility’ (“IBT/STWT”) to their clients.



Additionally, few provisions of the circular are only applicable to ‘Specified Members’ i.e., the top 42 Trading Members registered with the Exchange, having the most IBT/STWT clients.

### 31.1. Definition:

**‘Technical glitch’** shall mean any malfunction in the Trading Member’s systems including malfunction in its hardware, software, networks, processes, or any products or services provided by the Trading Member in the electronic form. The malfunction can be on account of inadequate Infrastructure/systems, cyberattacks/incidents, procedural errors, and omissions, or process failures or otherwise, in their own systems or the one outsourced from any third parties, which may lead to either stoppage, slowing down or variance in the normal functions/operations/services of systems of the Trading Member for a contiguous period of **five minutes (5 minutes) or more**.

**‘Critical Systems’** are defined as all IT systems that are related to Trading applications and trading-related services.

### 31.2. Reporting Requirements for Technical Glitch Incidents:

All Trading Members shall be required to report to the Exchange any technical glitches as under:

- (i) All Trading Members shall inform the technical glitch to the stock exchanges immediately but **not later than 1 hour** from the time of occurrence of the glitch.
- (ii) Trading Members shall submit a Preliminary Incident Report to the Exchange within T+1 day of the incident (‘T’ being the date of the incident). The report shall include the date and time of the incident, details of the incident, effect of the incident, and immediate action taken to rectify the problem.
- (iii) Trading Members shall submit a Root Cause Analysis (“**RCA**”) Report of the technical glitch to the stock exchange, within 14 days from the date of the incident. The RCA report, for all technical glitch incidents greater than 45 minutes, shall also be verified by an independent auditor appointed by the Trading Member. Further, Exchange *vide* Circular Ref. No. NSE/COMP/59914 dated December 26, 2023, clarified that in case of technical glitch incidents lasting more than 45 minutes, an independent auditor’s report on the RCA shall be submitted within 45 days of the incident.
- (iv) Submission of all the above three reports shall be as per the format provided in **Exhibit Q (Colly.) - Reporting Format** of this circular.
- (v) Exchange *vide* Circular Ref. No. NSE/COMP/61323 dated March 27, 2024, has facilitated the reporting of Technical Glitch incidents *via* the ENIT Portal i.e., New ENIT > Compliance > Technical Glitches > Technical Glitches Submission w.e.f. April 1, 2024.
- (vi) The Trading Member would also need to report the incidents on the dedicated email address [infotechglitch@nse.co.in](mailto:infotechglitch@nse.co.in) which is common across the Exchanges. The user



manual for submitting the application through online portal is attached as **Exhibit R - Technical Glitch**.

- (vii) Financial Disincentives and Penalties with respect to non-compliance with the provisions of the circular have been enclosed below in paragraph 31.7.
- (viii) Based on the representations received from Trading Members/Broker's ISF, and after consideration of the same by SEBI, Frequently asked questions (FAQs) on Framework to address the 'technical glitches' in Trading Member's Electronic Trading Systems are attached as **Exhibit S (Colly.) – FAQs and Penalties**.

### 31.3. Capacity Planning:

- (i) An increasing number of investors may create an additional burden on the trading system of Trading Members and hence, adequate capacity planning is a prerequisite for Trading Members to provide continuity of services to their clients.
- (ii) Trading Members shall do capacity planning for the '**Critical Systems**' infrastructure including server capacities, network availability, bandwidth, and the serving capacity of trading applications.
- (iii) Capacity planning shall be done based on the rate of growth in the number of transactions observed in the past 2 years. This data should be extrapolated to predict the capacity required for the next 3 years.
- (iv) The capacity planning by Trading Members should be done every year to review the available capacity, peak capacity, and new capacity required to tackle future load on the system. The purpose shall include all '**Critical Systems**' operated in-house or through a Vendor/Application service provider ("**ASP**").
- (v) Trading Members shall monitor peak load in their '**Critical Systems**' including the trading applications, servers, and network architecture. The Peak load shall be determined based on the highest peak load observed by the Trading Members during a **calendar quarter**. The installed capacity shall be at **least 1.5 times (1.5x)** of the observed peak load.
- (vi) Trading Members shall deploy adequate monitoring mechanisms within their networks and systems to get timely alerts on the current utilization of capacity going beyond the permissible limit of 70% of its installed capacity. In case the actual capacity utilization nears 70% of the installed capacity, immediate action shall be taken to avoid a breach of capacity.
- (vii) Adequate capacity planning and its review should be part of the annual system audit of the Trading Members.
- (viii) Additionally, to ensure the continuity of services at the primary data center, '**Specified Members**' shall strive to achieve full redundancy in their IT systems that are related to the '**Critical Systems**'.

#### 31.4. Software testing and change management:

- (i) Software applications are prone to updates/changes and hence, it is imperative for the Trading Members to ensure that all software changes that are taking place in their applications are rigorously tested before they are used in production systems. Software changes could impact the functioning of the software if adequate testing is not carried out. In view of this, Trading Members shall adopt the following framework for carrying out software- related changes/testing in their systems.
- (ii) Trading Members shall create test-driven environments for all types of software developed by them or their vendors.
- (iii) Trading Members, during all relevant phases of software development and operations are required to write exhaustive unit test cases and functional test cases covering all positive & negative scenarios, regression testing, security testing, and non-functional testing including performance testing, stress testing, load testing, etc.
- (iv) Further, Trading Members shall prepare and maintain a traceability matrix between functionalities and test cases for all '**Critical Systems**'.
- (v) A Minimum number of unit test cases required for every change made in the software should be defined in advance, based on its functionality, and ensure sufficient test coverage around instructions count, branches, and complexities. This would include base cases for the overall platform, plus specific sets of cases for each module under consideration.
- (vi) In addition to the above, '**Specified Members**' shall perform software testing in '**automated environments**'. The '**automated environments**' shall be mandatorily set up by '**Specified Members**' before **June 30, 2023**.
- (vii) To ensure system integrity and stability, all changes to the installed system shall be planned, evaluated for risk, tested, approved, and documented. Trading Members shall implement a change management process to avoid any risk arising due to unplanned and unauthorized changes for all its information security assets (hardware, software, network, etc.).
- (viii) Change management process shall be well documented and approved by the Governing Board of the Trading Member.
- (ix) The Exchange has provisioned test environments and conducts periodic mocks for Trading Members to test their systems. Trading Members are required to participate in such environments, each time their systems have gone through changes before such changes are made live.
- (x) Trading Members shall have a documented process/procedure for the timely deployment of patches for mitigating all identified vulnerabilities. The patch management process shall also be approved by the Governing Board of Trading Members.

- (xi) Trading Members shall periodically update all their assets including Servers, OS, databases, middleware, network devices, firewalls, IDS /IPS desktops, etc. with the latest applicable versions and patches.
- (xii) Review of Adequate Change Management and Patch Management processes should be part of the system audit of the Trading Members. As a part of the mandated annual System Audit, the System Auditor shall also provide its comments and observations on the said processes, if any.

### 31.5. Monitoring mechanism - Applicable to ‘Specified Members’

- (i) Proactively and independently monitoring technical glitches shall be one of the approaches in mitigating the impact of such glitches. In this context, the ‘**Specified Members**’ shall build API-based **Logging and Monitoring Mechanism (LAMA)** to allow stock exchanges to monitor the ‘**Key Parameters**’ of the ‘**Critical Systems**’. Under this mechanism, ‘**Specified Members**’ shall monitor key systems & functional parameters to ensure that their trading systems function in a smooth manner. Stock exchanges will, through the API gateway, independently monitor these key parameters in real-time to gauge the health of the ‘**Critical Systems**’ of the ‘**Specified Members**’.
- (ii) Through the ‘**LAMA**’ Gateway, values of the ‘**Key Parameters**’ listed below should be served by the ‘**Specified Members**’.

Key Parameters for 'LAMA'		
Application	System	Network
1. Log monitoring	1. CPU Utilization	1. Packet Error Counts
2. Requests/Second	2. Memory Utilization	2. Bandwidth Utilization
3. Average response times	3. Disk utilization	3. DNS failures
4. Trading trend analysis-related data	4. Database replication and its Health	
5. Trading API failure counts	5. Uptime	
6. Network Latency		

- (iii) The ‘**Specified Members**’ and the Exchange will preserve the logs of the key parameters for a period of 30 days in the normal course. However, if a technical glitch takes place, the data related to the glitch shall be maintained for a period of 2 years.

The Exchange *vide* Circular Ref. No. NSE/COMP/66369 dated January 29, 2025, has shared a revised list of Members identified as ‘Specified Members’. List of these members is as under:

Sr. No.	Trading Member Name
1.	5paisa Capital Limited
2.	Acumen Capital Market (India) Limited
3.	Alice Blue Financial Services Private Limited
4.	Anand Rathi Share and Stock Brokers Limited
5.	Angel One Limited
6.	Axis Securities Limited
7.	Bonanza Commodity Brokers Private Limited / Bonanza Portfolio Limited
8.	Choice Equity Broking Private Limited
9.	Dhani Stocks Limited
10.	Finvasia Securities Private Limited
11.	Fortune Capital Services Private Limited
12.	Fyers Securities Private Limited
13.	Geojit Financial Services Limited
14.	Globe Capital Market Limited
15.	Goodwill Wealth Management Private Limited
16.	Groww Invest Tech Private Limited (Erstwhile Nextbillion Technology Private Limited)
17.	HDFC Securities Limited
18.	ICICI Securities Limited
19.	IIFL Securities Limited
20.	Indmoney Private Limited
21.	Jainam Broking Limited
22.	Kotak Securities Limited
23.	Master Capital Services Limited
24.	Mirae Asset Capital Markets (India) Private Limited
25.	Moneylicious Securities Private Limited
26.	Motilal Oswal Financial Services Limited
27.	Nirmal Bang Securities Private Limited
28.	NJ India Invest Private Limited
29.	Nuvama Wealth and Investment Limited
30.	Paytm Money Limited



Sr. No.	Trading Member Name
31.	Profitmart Securities Private Limited
32.	Reliance Securities Limited
33.	Religare Broking Limited
34.	SBICAP Securities Limited
35.	Sharekhan Limited
36.	SMC Global Securities Limited
37.	Swastika Investmart Limited
38.	Tradebulls Securities Private Limited
39.	Upstox Securities Private Limited (Erstwhile RKSV Securities India Private Limited) / RKSV Commodities India Private Limited
40.	Ventura Securities Limited
41.	Zebu Share and Wealth Managements Private Limited
42.	Zerodha Broking Limited / Zerodha Commodities Private Limited

### 31.6. Business Continuity Planning (BCP) and Disaster Recovery Site (DRS)

- (i) **‘Specified Members’** and Trading Members with a minimum client base of **50,000 clients** across all Exchanges, are to mandatorily establish a **‘Business Continuity’/ ‘Disaster Recovery setup’**.
- (ii) Trading Members shall put in place a comprehensive BCP-DR policy document outlining standard operating procedures to be followed in the event of any **‘Disaster’**.
- (iii) **‘Disaster’** may be defined as scenarios where:
  - (a) A **45-minute** disruption of any of the **‘Critical Systems’**, or
  - (b) Any additional criteria specified by the Governing Board of the Trading Member.
- (iv) The DRS shall preferably be set up in different seismic zones. In case, due to any reasons like operational constraints, such a geographic separation is not possible, then the Primary Data Centre (PDC) and DRS shall be separated from each other by a distance of at least 250 kilometers to ensure that both do not get affected by the same natural disaster. The DR site shall be made accessible from the primary data center to ensure syncing of data across two sites.
- (v) **‘Specified Members’** shall conduct DR drills/live trading from the DR site on **half yearly basis**. DR drills/ live trading shall include running all operations from DRS for at least **1 full trading day**.

- (vi) Trading Members shall constitute responsible teams for taking decisions about shifting of operations from primary site to DR site, putting adequate resources at DR site, and setting up mechanism to make DR site operational from primary data center etc.
- (vii) Hardware, system software, application environment, network and security devices, and associated application environments of DRS and PDC shall have a one-to-one correspondence between them. Adequate resources shall be always made available to handle operations at PDC or DRS.
- (viii) The **Recovery Time Objective (RTO)** i.e., the maximum time taken to restore operations of '**Critical Systems**' from DRS after the declaration of '**Disaster**' shall be **2 Hours** and, **Recovery Point Objective (RPO)** i.e., the maximum tolerable period for which data might be lost due to a major incident shall be **15 Minutes**.
- (ix) Replication architecture, bandwidth, and load consideration between the DRS and PDC shall be within the stipulated RTO and the whole system shall ensure high availability, right-sizing, and no single point of failure. Any updates made at the PDC shall be reflected at DRS immediately.
- (x) The BCP-DR policy document shall be reviewed at least **once a year** to minimize incidents affecting business continuity. Additionally, an Adhoc review of the BCP-DR policy shall also be conducted in case of any major changes in '**Critical Systems**' and if any technical glitch is encountered. The BCP-DR policy document of the Trading Members should be approved by Governing Board of the Trading Members.
- (xi) The Governing Board of the Trading Members shall review the implementation of BCP-DR policy approved by the Governing board of the Trading Members on a Quarterly basis. Further, Trading Members shall conduct periodic training programs to enhance the preparedness and awareness level among its employees and outsourced staff, vendors, etc. to perform as per BCP policy.
- (xii) The System Auditor, while covering the BCP – DR as a part of mandated annual System Audit, shall check the preparedness of the Trading Member to shift its operations from PDC to DRS and comment on documented results and observations on DR drills conducted by the Trading Members.
- (xiii) The '**Specified Members**' shall constitute an Incident and Response Team (IRT) / Crisis Management Team (CMT), which shall be chaired by the Managing Director (MD) of the Trading Member or by the Chief Technology Officer (CTO), in case of non- availability of MD. IRT/CMT shall be responsible for the actual declaration of disaster, invoking the BCP and shifting of operations from PDC to DRS whenever required. Details of roles, responsibilities, and actions to be performed by employees, IRT/ CMT and support/outsourced staff in the event of any Disaster shall be defined and documented by the Trading Members as part of BCP-DR Policy Document.
- (xiv) In addition to the above, '**Specified Members**' shall obtain **ISO27001** (Information Security) certification within the 2 years, from April 1, 2023. Additionally, **ISO20000** (IT Service Management) and **ISO22301** (Business Continuity Management System)



are recommended to be adhered to. All Policies procedures and processes must be based on these international Standards.

- 31.7. Financial Disincentives and Penalty Structure for technical glitch incidents at stock brokers electronic trading system are attached as **Exhibit S (Colly.) – FAQs and Penalties**.
- 31.8. **Identification of Specified Members for Implementation of Logging and Monitoring Mechanism (LAMA)**
- (a) **Definition:** The top 20 Members registered **across Exchanges**, having the most Internet and Wireless technology-based (IBT/STWT) clients are classified as 'Specified Members'. List of such Members is provided in point no. 31.5 above.
  - (b) 'Specified Members' are required to complete the necessary developments as per the API specification document enclosed as **Exhibit T - LAMA API Specification Document V1.0** of this circular.
  - (c) **Investor Risk Reduction Access (IRRA) platform**
  - (d) SEBI *vide* its circular ref. no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/177 dated December 30, 2022, directed the Exchanges to develop a joint platform to provide Investor Risk Reduction Access ("IRRA Platform") service to the investors of the Trading Member, who faced disruption in the trading services provided due to technical glitches.
  - (e) The Trading Member, upon facing technical glitches, can request for enablement of the IRRA platform and they and their clients can avail the Services of the IRRA platform as per the procedures specified by SEBI / Stock Exchanges which includes square off/close the open positions, and/or cancel orders.
32. **REPORTING OF UNIQUE DEVICE IDENTIFIERS FOR ORDERS PLACED THROUGH INTERNET BASED TRADING (IBT) AND SECURITIES TRADING USING WIRELESS TECHNOLOGY (STWT)**
- 32.1. According to Exchange Circular Ref. No. NSE/COMP/53164 dated August 01, 2022, Trading Members are required to capture the IP (Internet Protocol) address (from where the orders are originating) for all IBT/ STWT orders and monitor the same.
- 32.2. Trading Members are required to capture each device (Computer/Tablet/Mobile including Executable Applications, Browser based Apps, Mobile Apps) used to place enter/modify/cancel IBT/STWT orders by each client and store the prescribed fields as mentioned in point no. 3 of abovementioned circular. Trading Members are required to submit to the Exchange, the prescribed fields for each order that resulted in a trade on the Exchange separately in CM and F&O. In case of single IBT/STWT orders placed through various devices, the prescribed fields have to be maintained for all such devices.
- 32.3. Reporting of Unique Device Identifiers for orders placed through Internet Based Trading IBT/STWT is effective from August 26, 2022. As of date, this shall be applicable to Trading Members having 25 lakhs or more active clients during the F.Y. 2021-22 on either Exchange.



- 32.4. Reporting format is provided by Exchange *vide* Circular Ref No. NSE/COMP/54007 dated October 10, 2022.

### 33. MAINTENANCE OF A WEBSITE BY STOCK BROKERS

- 33.1. SEBI *vide* Stock Broker Master Circular in paragraph no. 89., and Exchange *vide* Circular Ref. No. NSE/COMP/ 55661 dated February 20, 2023 and NSE/COMP/56350 dated April 13, 2023 mandated Trading Members to maintain a designated website and display mandatory information to help the investors to keep themselves well informed about the various activities of the Trading Members.
- 33.2. All Trading Members dealing in clientele business are advised to mandatorily display the information provided in **Exhibit U - Format for Mandatory Display & Exhibit V - Details of Mandatory Display** and update the information from time to time. FAQs pertaining to the same have been provided in **Exhibit W - FAQ**. Trading Members are also required to note that any modification in the URL shall be reported to the Exchange *via* the ENIT Portal, within 3 days of such changes. The user manual for submission through ENIT is attached herewith as **Exhibit X - Website Manual**.
- 33.3. Failure to submit/upload declarations within the prescribed timelines will be treated as non-compliance and applicable penalty/ disciplinary action will be initiated in accordance with the provisions prescribed under Circular Ref. No. NSE/COMP/ 57876 dated August 07, 2023. The action / penalty for non – compliance has been reproduced hereinbelow:

**Action / Penalty for non-compliance with regulatory directive on maintenance of a website by stock broker**

<b><u>Sr. No.</u></b>	<b><u>Penalty / disciplinary actions</u></b>	<b><u>Timelines</u></b>
<b><u>In case of Non reporting of URL to Exchange</u></b>		
1.	INR 5,000/-* in case of any observations specified below	If the non-compliance observed during Trading Members Inspection

\*In case of below mentioned observations, penalty as prescribed in point no-4 of the structure above shall be levied:

- any modification in the URL which Trading Member failed to report to the Exchange within 3 days of such change; and
- if any incomplete details are displayed by stock brokers on their website.

### 34. ENCOURAGING MORE RETAIL INVESTORS TO PARTICIPATE IN VOTING ON MOTIONS MOVED BY LISTED COMPANIES

- 34.1. SEBI *vide* the Master Circular under the LODR Regulations Ref No. - SEBI/HO/CFD/PoD2/CIR/P/0155 dated November 11, 2024 (“**LODR Master Circular**”) in Section VI-C issued guidelines pursuant to e-voting Facility provided by listed entities. Further, for accessing the e-voting pages of various e- voting service providers (“**ESPs**”), shareholders



were given the option to register directly with the depository or access the various ESP portals from their demat accounts.

- 34.2. To further encourage retail investors and to make the process of participating in e-Voting easier for them, the Trading Members were advised to ensure the compliance of the following by Exchange *vide* Circular Ref. No. NSE/COMP/55151 dated January 05, 2023:

- (a) All Trading Members, who are having a website are mandated to provide on their respective websites, the link to voting URLs, which will redirect the investor to the webpage of the respective Depository who in turn will enable access to the e-voting portals of various ESPs., in accordance with Clause 2.3 of Section VI-C of the LODR Master Circular.
- (b) Trading Members who are not having website of their own, shall send the link to voting URLs by the way of SMS/e-mails/any other media which ensures wider outreach and educate retail investors about e-voting process and encourage them to participate in the same.

### **35. IMPLEMENTATION OF TWO FACTOR AUTHENTICATION (2FA)**

- 35.1. SEBI *vide* circular ref no. SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018, issued specific guidelines for implementation of two-factor authentication (2FA). Further, Exchange *vide* Circular Ref. No. NSE/COMP/52623 dated June 14, 2022, in consultation with SEBI and other Exchanges has provided clarification on the guidelines on Implementation of 2FA. The details of guidelines are as under:

- (a) Members offering trading application through Internet Based Trading (IBT) and Securities Trading through Wireless Technology (STWT) are required to mandatorily have biometric Authentication as one of the authentication factors along with any of the following factor.
- (b) Knowledge factor (something only the user knows): - for e.g., Password, PIN.
- (c) Possession factor (something only the user has): - for e.g., OTP, security token, authenticator apps on smartphones etc.

- 35.2. In case of unavailability of Biometric Authentication, Trading Members shall use both the aforementioned factors.

### **36. USAGE OF NSE DATA ONLY FOR TRADING PURPOSE AND NORMS FOR SHARING OF REAL TIME PRICE DATA TO THIRD PARTIES**

- 36.1. This is in reference to the Exchange Circular No. NSE/MEM/26958 dated June 19, 2014, on “Illegal data dissemination of NSE’s market data” wherein Trading Members were advised to use only the authorized sources of data and technical software received from the Exchange or any authorized vendors for their internal usage only and not for redistribution. It has come to the notice of the Exchange, that some market participants are using the Exchange data for gaming and virtual trading purposes which goes against the principles of fair and transparent trading. Therefore, the Exchange *vide* Circular Ref. No. NSE/COMP/56426 dated April 20,



2023, advised Trading Members to use NSE data only for legitimate trading purposes by their clients and not for the purpose of gaming or virtual trading as the same goes against the principles of fair and transparent trading.

- 36.2. SEBI *vide* Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/56 dated May 24, 2024 and Exchange *vide* NSE Circular Ref. No. NSE/COMP/ 62283 dated May 31, 2024 issued norms for sharing of real time price data to third parties. SEBI has observed that some online gaming platforms and apps are offering virtual trading services and fantasy games based on real-time share price movements of listed companies, often providing monetary incentives linked to virtual stock portfolio performance. To address concerns about misuse and unauthorized use of real-time price data, SEBI has mandated that stock exchanges, clearing corporations, depositories, and registered market intermediaries must not share real-time price data with any third party-including such platforms-unless it is essential for the orderly functioning of the securities market or to meet regulatory requirements. Any sharing of real-time data must be governed by formal agreements specifying its intended use, which will be reviewed annually, and strict due diligence must be exercised to prevent misuse. For investor education and awareness, price data can be shared only with a one-day lag and without any monetary incentives.

**37. ADVISORY ON VERIFICATION OF SOCIAL MEDIA ACCOUNTS TO PREVENT MISUSE OF NAMES**

- 37.1. Exchange *vide* Circular Ref. No. NSE/COMP/57372 dated June 30, 2023, has advised Trading Members to conduct an extensive check on social media on an ongoing basis to ensure that their names are not being misused and take prompt action. Such an activity not only poses a reputational risk but also jeopardizes the trust of the clients and investors.
- 37.2. The Exchange *vide* Circular Ref No: NSE/COMP/62147 dated May 22, 2024 has advised all Trading Members dealing in clientele business to provide the names of IOS and Android based mobile applications hosted by them with URL link of play store of the respective Mobile Applications (Android/IOS based application) and the Social media handles, as a part of ongoing efforts to ensure transparency, regulatory compliance and towards Investor Awareness.
- 37.3. The link for submission of such information through the member portal is provided below: -
- New ENIT > Compliance > Mobile Applications
- New ENIT > Compliance > Social Media Handles
- 37.4. Trading Members are advised to provide the details of Mobile applications and social media handles in the format provided as **Exhibit Y - Details of Mobile Application & SMH** respectively. The user manual for submission through online portal is attached as **Exhibit Z - Reporting of Mobile Applications & SMH**.
- 37.5. Trading Members are advised to provide following details of the Mobile application/s to the Exchange on an immediate basis but not later than fifteen days:
- (a) Mobile application/s hosted on Play store / App store





- (b) Any modifications carried out to the existing mobile applications
  - (c) Addition of any new mobile applications
  - (d) Removal / discontinuation of any mobile application from Play store / App store
- 37.6. Any mobile applications not featuring in the details submitted to the Exchange shall be liable for removal from Play store by Google and App Store by Apple.
- 37.7. In addition, Trading Members must also ensure their mobile application description on the Play store and App store includes following information:
- (a) Trading Member name:
  - (b) SEBI Registration Number`:
  - (c) Trading Member Code:
  - (d) Registered Exchange/s name:
  - (e) Exchange approved segment/s:
- 38. COMPLIANCE WITH IA REGULATIONS FOR STOCK BROKERS PROVIDING INVESTMENT ADVICE TO CLIENTS**
- 38.1. Exchange *vide* Circular Ref. No. NSE/COMP/65957 dated January 02, 2025 drawn the attention of Trading Members to Regulation 4(g) of the IA Regulations, wherein any stock broker registered under SB Regulations, who provides any investment advice to its clients incidental to its primary activity is not required to seek registration as an Investment Adviser. However, such stock broker shall be liable to comply with the general obligation(s) and responsibilities as specified in Chapter III of the IA Regulations.
- 39. MANDATORY REPORTING OF NATIONAL COMPANY LAW TRIBUNAL (“NCLT”) PROCEEDINGS BY TRADING MEMBERS**
- 39.1. Filing of claims for reliefs with the NCLT, by clients, instead of filling as per the investor grievance redressal mechanism provided by SEBI and the Exchange can result in significant depletion of a Trading Member’s assets, potentially leaving other clients without the ability to recover their dues.
- 39.2. Accordingly, the Exchange *vide* Circular Ref. No. NSE/COMP/64507 dated October 11, 2024 mandates Trading Members to report cases admitted in NCLT against such Trading Member or its promoters to the Exchange within one week of the admission of such case.
- 39.3. Exchange *vide* Circular Ref. No. NSE/COMP/66583 dated February 10, 2025 requires all Trading Members to submit the details of such cases through ENIT. For guidance on the submission process, please refer to the user manual enclosed herewith as **Exhibit AA - User Manual NCLT**.





**40. ASSOCIATION OF PERSONS REGULATED BY SEBI AND THEIR AGENTS WITH CERTAIN PERSONS**

- 40.1. SEBI vide Circular Reference No. SEBI/HO/MIRSD/ MIRSD-PoD-1/P/CIR/2024/143 dated October 22, 2024 and Exchange vide NSE Circular Ref. No. NSE/COMP/64750 dated October 25, 2024 issued guidelines pertaining to association of persons regulated by the SEBI (including recognised stock exchanges, clearing corporations and depositories) and their agents with certain persons.
- 40.2. On August 26, 2024, SEBI notified amendments to its regulations governing intermediaries, stock exchanges, clearing corporations, and depositories, introducing strict restrictions on associations with unregistered entities that offer securities advice or make performance claims without SEBI's authorization. Under these rules, regulated entities and their agents are barred from directly or indirectly associating with anyone providing investment advice or making return claims unless such persons are registered or expressly permitted by SEBI, with "association" broadly defined to include transactions, referrals, and IT interactions. Exceptions are made for associations via "specified digital platforms" that have SEBI-approved mechanisms to prevent misuse, and for entities engaged solely in investor education without offering advice or making claims.



**ITEM NO. 5: REGISTRATION OF UNREGISTERED AND REGISTERED PARTICIPANT  
ON CORPORATE BOND REPORTING PLATFORM (CBRICS) PLATFORM**

- 41.1 SEBI *vide* Circular SEBI/CBM/BOND/1/2007/01/03 dated March 01, 2007 granted NSE prior approval for setting up and maintain a reporting platform for corporate bonds.
- 41.2 Exchange *vide* Circular Ref. no. NSE/DS/43346 dated January 28, 2020 notified that it has received approval from SEBI to launch Request for Quote platform for Execution and Settlement of Trades (“**RFQ Platform**”). The RFQ Platform is hosted on the existing NSE Corporate Bond Reporting and Integrated Clearing & Settlement (“**CBRICS**”) environment. The circular was issued in continuation to Exchange circular no. 8611 dated March 05, 2007 and subsequent revisions thereof, pertaining to CBRICS platform to report and settle corporate bond trades. As a part of continuous market development initiatives to improve liquidity in debt market, Exchange introduced web-based RFQ Platform. It is an electronic platform where market Participants can negotiate their deals in any of the eligible securities. The deals accepted on the RFQ Platform flow to CBRICS platform for reporting and settlement.
- 41.3 Exchange *vide* Circular Ref. No. NSE/DS/55230 dated January 13, 2023 revised the Operating Guidelines and Terms and Conditions governing the RFQ-Click Wrap Undertaking which have been enclosed herewith as **Exhibit BB - RFQ Operating Guidelines, Exhibit CC - Terms and Conditions governing the RFQ.**
- 41.4 The FAQs on CBRICS are enclosed herewith as **Exhibit DD - CBRICS FAQs.**
- 41.5 Chapter XVI – Reporting of Trades of the SEBI Master Circular on ILNS Regulations (Circular Ref. No. SEBI/HO/DDHS/PoD1/P/CIR/2024/54 dated May 22, 2024) prescribes that all OTC trades in non-convertible securities shall be reported only on any one of the reporting platforms provided in the debt segment of stock exchanges *viz.* NSE, BSE and MSEI within fifteen minutes of the trade.



### **ITEM No. 6: FEES/CHARGES AND DISCIPLINARY ACTIONS**

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

<b>S. No.</b>	<b>Profile</b>	<b>Fees</b>
1.	New Membership	<ul style="list-style-type: none"> <li>Processing Fee – INR 10,000/- Admission Fee:</li> <li>INR 5,00,000/- (if the applicant applies for membership excluding the Commodity Derivatives segment)</li> <li>INR 50,000/- (if the applicant applies for Cash, FO, CD and COM segments collectively)</li> <li>Nil for Alpha membership</li> <li>SEBI Processing Fee- INR 50,000/-</li> </ul>
2.	Change in Shareholding and Change in Profit/Loss Sharing Ratio	Processing Fee - INR 1,000/- per application
3.	Change in Control	Processing Fee - INR 5,00,000/- per application
4.	Change in constitution	Processing Fee - INR 50,000/- per application
5.	Change in Director and Change in Partners	<ul style="list-style-type: none"> <li>Processing Fee – INR 1,000/- per Non-Designated Director/ordinary partner</li> <li>Rs 2,000 per Designated Director /Designated Partner/Managing Partner</li> </ul>
6.	Change in Name	Processing Fess- INR 2000/- per application
7.	Change in Registered Office Address	Processing Fee – INR 1,000/- per application
8.	MTF Approval/Withdrawal	Nil
9.	Trade through other Trading Member approval	Nil
10.	Voluntary Disablement/Re-enablement	Nil
11.	Approval of Advertisement	Processing Fee- INR 3,000 per approval



S. No.	Profile	Fees
12.	Updation of Compliance Officer	Nil
13.	Total Surrender	Processing Fess- INR 1,00,000
14.	Segmental Surrender	Processing Fess- INR 50,000/- per segment
15.	Membership Certificate	Nil
16.	Status Report	INR 1,000/- per application

In case of non-compliance of any of the regulatory requirements mentioned in this Master Circular, disciplinary actions as mentioned in **Exhibit EE – Penalties and Disciplinary Action(s)** as extracted from the Exchange Circular Ref. No. NSE/INSP/53530 dated September 02, 2022 shall be levied.