NATIONAL STOCK EXCHANGE OF INDIA LIMITED

DEPARTMENT : INSPECTION	
Download Ref.No.: NSE/INSP/28434	Date : December 24, 2014
Circular Ref.No.: 212/2014	

To All Members

Sub : Supervision of trading terminals

This has reference to **Regulation 4.2 of Exchange Regulations (CM and F&O) relating to Supervision, SEBI circular MIRSD/ DR-1/ Cir- 16 /09 dated November 06, 2009 and Exchange circular no NSEIL/INSP/3685 dated October 17, 2002** requiring Members to establish, maintain, and enforce procedures to supervise its business and to conduct periodic review/ inspection of their offices and records of the operations carried out by them. Members are also required to ensure adequate monitoring and control over the trading terminals operated from the offices including sub broker and AP location of the members.

Member's attention is also drawn to **Exchange circular NSE/MA/22732 dated February 13, 2013** which inter alia states that:

a) *The trading member would be fully responsible for all orders put through and all deals done through the trading terminal, whether contract notes or purchase/sale notes issued or not and for all acts of commission and/or omission. If the trading terminal is located in the branch office of the trading member, then the branch office shall be managed and supervised by the trading member's own employee or by a registered Sub-broker / approved Authorised Person.*

b) *If any terminal is found located at a place other than what is declared to the Exchange, penalty shall be levied in accordance to the Exchange Circular issued by Inspection department from time to time. Moreover, it is re-iterated that the trading members shall continue to be responsible for all obligations arising out of their terminals.*

c) *No CTCL terminal(s) shall be allotted by trading member without prior approval of the Exchange and use of terminal(s) shall be treated as Unauthorised and in violation of the requirements. Such trading members shall be liable for disciplinary action as may be deemed fit including withdrawal of the User Id that is granted to the CTCL server from which the Trading Member has extended the CTCL trading facility to such locations, without notice and / or reference, or withdrawal of trading rights entirely."*

It is once again re-iterated that Members will be held responsible and accountable for all acts of omission and commission of his Sub broker /Authorised person(s) and/or their employees at their branches including conducting “informal” (Dabba) trades.

It is noted that Trading terminals are being kept active though insignificant or nil amounts of trades are being executed for long time, even though there is no commercial justification for such continuance. While commercial justification is not of immediate concern to the Exchange, Members are cautioned to examine whether such terminals/locations are being commercially sustained by using them for purposes other than trading on the Exchange platform such as for conducting “informal” (Dabba) trades.

All Members are hereby advised to regularly monitor and review the trading activities/turnover from all the terminals located at all their Branch/AP/Sub broker locations and undertake necessary actions/investigations including conduct of surprise & periodic inspections in this regard.

Members are also advised to conduct an analysis of trends in trading volumes at different terminals and conduct close review of activities being conducted at the addresses at which trading terminals with low volume or declining trend of volumes are observed.

The Exchange may seek report from Members in this regard as and when found necessary. Accordingly, Members are advised to install appropriate internal systems & procedure for such inspections /monitoring and report generation.

In case of any clarifications, Members may contact our below offices:

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