

National Stock Exchange of India Limited**Circular**

DEPARTMENT: INSPECTION	
Download Ref No: NSE/INSP/ 67804	Date: April 30, 2025
Circular Ref. No: 29/2025	

To All Members,

Sub: Master Circular – Inspection Department

This is with reference to Circular Reference No. NSE/INSP/61851 dated April 30, 2024.

To facilitate Stock Brokers / Trading Members to comply with the regulatory requirements, the Exchange consolidates regulatory requirements and issues updated Master Circulars periodically. Accordingly, regulatory requirements prescribed through various circulars issued by the Inspection Department of the Exchange till March 31, 2025 are consolidated in this circular.

In case of any inconsistency between the Master Circular and the applicable circulars, the content of the relevant circular shall prevail.

“Notwithstanding such rescission,

a. Anything done or any action taken or purported to have been done or contemplated under the rescinded guidelines before the commencement of this Master Circular shall be deemed to have been done or taken or commenced or contemplated under the corresponding provisions of the Master Circular or rescinded guidelines whichever is applicable.

b. The previous operation of the rescinded guidelines or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the rescinded guidelines, any penalty, incurred in respect of any violation committed against the rescinded guidelines, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the rescinded guidelines have never been rescinded.”

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

**Kapil Marwah
Associate Vice President**

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

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ITEM 1: CLIENT REGISTRATION

1.1 Account Opening Process

The Stock Broker / Trading Member shall make available a folder / book containing all the documents required for registration of a client. The folder/book shall have an index page listing all the documents contained in it and briefly indicating significance of each document.

SEBI has vide its Master Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024 (“**SEBI Master Circular for Stock Brokers dated August 09, 2024**”) consolidated the uniform documentation to be followed by all the Stock Brokers / Trading Members. Details of such documentation is as under:

- Index of documents giving details of various documents for client account opening,
- Client Account Opening Form in two parts:
 - a. Know Your Client (KYC) form capturing the basic information about the client and instruction/checklist to fill up the form. Enclosed as **Exhibit 1**.
 - b. Document capturing additional information about the client related to trading account.
- Document stating the Rights & Obligations of Stock Broker / Trading Member, and client for trading on exchanges (including additional rights & obligations in case of internet / wireless technology-based trading and margin trading facility).
- Uniform Risk Disclosure Documents for all segments / exchanges.
- Guidance Note detailing Do's and Don'ts for trading on exchanges.
- MITC to be provided and acknowledged i.e. duly signed by the client.

In the account opening process, the Stock Brokers / Trading Members would also give the following useful information to the clients:

- a. A tariff sheet specifying various charges, including brokerage, payable by the client to avoid any disputes at a later date.
- b. Information on contact details of senior officials within the stock broking firm and investor grievance cell in the stock exchange, so that the client can approach them in case of any grievance.
- c. Document describing significant policies and procedures of the Trading Member.

1.1.1 Account Opening Kit

The folder/ book shall have two parts: (a) Mandatory Documents and (b) Non-Mandatory Documents

Mandatory Documents

(i) Client Account Opening Form in two parts:

- a. Know Your Client (KYC) form capturing the basic information about the client and instruction/check list to fill up the form - Information as contained in Part I of AOF shall only be required to be captured in the systems of KRAs.

The KYC template finalised by Central Registry of Securitization and Asset Reconstruction and Security interest of India (CERSAI) and as specified by SEBI through various circulars issued from time to time, shall be used by the registered intermediaries as Part I of AOF for individuals and legal entities.

- b. Document capturing additional information about the client related to trading account

All Stock Brokers / Trading Members are mandated to register their new clients on all the active stock exchanges after obtaining the trading preferences as per the prescribed format.

The Stock Broker shall verify the PAN of their clients online at the Income Tax website without insisting on the original PAN card, provided that the client has presented a document for Proof of Identity other than the PAN card.

SEBI vide paragraph 11 of the SEBI Master Circular for KYC dated October 12, 2023, has provided clarifications on Exemptions to PAN requirements. The following are exempted from the mandatory requirement of PAN:

- i. Transactions undertaken on behalf of Central Government and/or State Government and by officials appointed by Courts e.g. Official liquidator, Court receiver etc. (under the category of Government) for transacting in the securities market.
- ii. Investors residing in the state of Sikkim.
- iii. UN entities/multilateral agencies exempt from paying taxes/filing tax returns in India.
- iv. SIP of Mutual Funds upto ₹50,000/-per year.

In case there is change in the name subsequent to issuance of PAN of the client, registered intermediaries can collect the PAN card proof as submitted by the client provided it is supported by a marriage certificate issued by the State Government or gazette notification, indicating such a change of name.

The e-PAN issued by Central Board of Direct Taxes (CBDT) can also be produced by client for KYC compliance. e-PAN is a digitally signed PAN card issued in electronic format by the Income-tax department.

The Stock Broker / Trading Member shall ensure verification of PAN linking with Aadhaar at the time of account opening and if not linked, request such clients to ensure compliance with the same and further ensure that all its clients are in compliance with the requirement of PAN-Aadhaar linkage as per the timelines prescribed by Government of India from time to time.

SARAL Account Opening Form for resident individuals

1. Individual investors, participating in the cash segment and who have not obtained various other facilities such as internet trading, margin trading, derivative trading and use of power of attorney can open a trading account by filling up a simplified Account Opening Form 'AOF' termed as 'SARAL AOF' given in Exchange Circular Reference No. NSE/INSP/29057 dated March 05, 2015 and in accordance with paragraph 80 of the SEBI Master Circular on KYC dated October 12, 2023, is enclosed as **Exhibit 2**. This form will be separately available with the intermediaries and can also be downloaded from the Exchanges' and Depositories' website.
2. The investors who open account through SARAL AOF will also have the option to obtain other facilities, whenever they require, on furnishing of additional information as per prescribed regulations/circulars.
3. The standard set of documents viz. Rights and Obligations document, Uniform Risk Disclosure Document and Guidance Note and documentary proof related to identity and address as specified in paragraph 20 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, shall continue to remain applicable. It is further clarified that the provisions laid down under the PML Act and the Prevention of Money Laundering Rules, 2005 ("**PML Rules**"), SEBI Master Circular on AML dated June 6, 2024, shall also continue to remain applicable for set of individual investors mentioned in paragraph 2 above.
4. For these set of individual investors, it has been decided to simplify the requirement of submission of 'proof of address'. The matter has been examined in light of amendment to the PML Rules, and accordingly, the requirement of submission of 'proof of address' is as follows:
 - a. Henceforth, individual investor may submit only one documentary proof of address either residence/correspondence or permanent while opening a trading account or while undergoing updation.
 - b. In case the proof of address furnished by the said investor is not the address where the investor is currently residing, the Stock Broker / Trading Member may take a declaration of the residence/correspondence address on which all

correspondence will be made by the Stock Broker / Trading Member with the investor. No proof is required to be submitted for such correspondence/residence address. In the event of change in this address due to relocation or any other reason, investor may intimate the new address for correspondence to the Stock Broker / Trading Member within two weeks of such a change. The residence/ correspondence address and any such change thereof may be verified by the Stock Broker / Trading Member through 'positive confirmation' such as

- i Acknowledgment of receipt Welcome Kit/ dispatch of contract notes / any periodical statement, etc.
- ii Telephonic conversation; iii visits, etc.
- ii. Document stating the Rights & Obligations of Stock Broker / Trading Member, and client for trading on exchanges including additional rights & obligations in case of internet / wireless technology based trading

SEBI with a view to simplify and rationalize the account opening process, had reviewed, consolidated and updated all the documents/requirements prescribed in respect of account opening process over the years. The simplification includes replacement of all client-broker agreements with the 'Rights and Obligations' document, which shall be mandatory and binding on the existing and new stockbrokers including Stock Brokers / Trading Members and clients.

- iii. Document stating the Rights & Obligations of stockbroker for Margin Trading Facility

The Exchange, vide Circular Reference No. NSE/COMP/35260 dated June 30, 2017 and SEBI vide paragraph 38.8 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, framed a Rights and Obligations document laying down the rights and obligations of Stock Brokers / Trading Members and clients for the purpose of margin trading facility (**MTF R&O**). The Rights and Obligations document shall be mandatory and binding on the Stock Brokers / Trading Members and the clients for executing trade in the Margin Trading Framework. The MTF R&O is enclosed as **Exhibit 3**.

- iv. Uniform Risk Disclosure Documents for all segments / exchanges.
- v. Guidance Note detailing Do's and Don'ts for trading on exchanges.
- vi. Most Important Terms & Conditions.
- vii. Policies and Procedures – Document describing significant policies and procedures of the Stock Broker / Trading Member .

In accordance with paragraph 22.4 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, there shall be a mandatory document dealing with policies and procedures for the following:

- i. Refusal of orders for penny stocks. illiquid securities may be considered while defining penny stocks by Stock Broker / Trading Member
- ii. Setting up client's exposure limits
- iii. Applicable brokerage rate
- iv. Imposition of penalty / delayed payment charges by either party specifying the rate & the period. The same should not result in funding
- v. The right to sell client's securities or close client's position without giving notice to the clients on account of non-payment of client's dues limited to the extent of settlement / margin obligation.
- vi. Internal Shortage
- vii. Conditions under which a client may not be allowed to take further position or the Stock Broker / Trading Member may close the existing position
- viii. Temporarily suspending or closing a client's account at the client's request, and deregistering a client
- viii. Tariff Sheet – Document detailing the rate/amount of brokerage and other charges levied on the client for trading on the stock exchanges

Non-Mandatory Documents

- i. Demat Debit and Pledge Instruction (DDPI) - Document seeking authorization by client to the Stock Broker / Trading Member, to access the demat account of the client for specified purposes only.

Note: It may be noted that any voluntary clause / document added by the stockbrokers shall form part of the non-mandatory documents. The stockbroker shall ensure that any voluntary clause/document shall neither dilute the responsibility of the stockbroker nor it shall be in conflict with any of the clauses in the mandatory documents, Rules, Bye-laws, Regulations, Notices, Guidelines and Circulars issued by SEBI and the stock exchanges from time to time. Any such clause introduced in the existing as well as new documents shall stand null and void.

General Guidelines

Stock Brokers/Trading Members are further advised to ensure the following:

- i. It may be noted that proper segregation of the mandatory and non-mandatory documents shall be made.
- ii. All the documents in both the mandatory and the non-mandatory parts shall be printed in minimum font size of 11.
- iii. Additional documents shall state at the beginning in bold that the document is voluntary.
- iv. However, if such documents are required in order to ensure smooth functioning of special facility such as internet trading offered by the Stock Broker / Trading Member, the client shall be informed in writing clearly that such documents are voluntary, and the client need not execute such documents if he / she does not wish to use that facility.
- v. Such documents, if any shall also recognize specifically the right of the client to terminate the document. In such an eventuality, the Stock Broker / Trading Member may terminate the special facility.
- vi. The docket or folder containing draft mandatory documents for signing and the checklist containing mandatory documents shall not include draft voluntary documents, if any.
- vii. No term in the client registration documents, other than those prescribed by SEBI, shall be changed without the consent of the client. Such change needs to be preceded by a notice of 15 days.
- viii. The Client shall indicate the stock exchange as well as the market segment where he intends his trades to be executed. He shall do so in the KYC form in his own hand and sign against these.
- ix. The stockbroker shall have documentary evidence of financial details provided by the clients who opt to deal in the derivative segment. In respect of other clients, the stockbroker shall obtain the documents in accordance with its risk management system.

List of Illustrative documents

- Copy of ITR Acknowledgement
- Copy of Annual Accounts
- In case of salary income - Salary Slip, Copy of Form 16
- Net-worth certificate

- Bank account statement for last 6 months
 - Copy of Holding statement of de-mat account
 - Any other relevant documents substantiating ownership of assets
 - Self-declaration along with relevant supporting
- x. Details of any action/proceedings initiated/pending/ taken by SEBI/ Stock exchange/any other authority against the applicant/client or its partners/promoters/whole time directors/authorized persons in charge of dealing in securities during the last 3 years.
- xi. No documentation shall give any exclusive right or control to the Stock Broker / Trading Member or third party over the demat account or ledger account or bank account of the client except to the extent of and restricted to the client's obligation to the Stock Broker / Trading Member in respect of the transactions done or to be done like up-front margin by the Stock Broker / Trading Member on behalf of the client on the Exchange.
- xii. The stockbroker/trading member shall frame the policy regarding treatment of inactive accounts which should, inter alia, cover aspects of time period, return of client assets and procedure for reactivation of the same. It shall display the same on its web site, if any.
- xiii. In the case of existing clients, if the policies & procedures are not explicitly elaborated, Trading Member/Stock Broker should intimate the same to all clients & maintain the proof of dispatch or delivery. In case of internet clients, TM may provide the same electronically in a secured manner.
- xiv. It has been decided that while a stockbroker/ trading Member may use the brand name / logo of its group companies, it must display more prominently its name as registered with SEBI, its own logo, if any, its registration number, and its complete address with telephone numbers and e-mail address on account opening documents.

1.2 Accessing Securities Market by Visually Challenged Investor

Based on the representations received, SEBI and the Exchange vide Circular Reference. No. NSE/INSP/29683 dated May 12, 2015, has clarified that there shall be no restrictions for a visually challenged person in getting registered as a client for trading/investing in the securities market, subject to the compliance requirements. Stock Brokers / Trading Members are advised to offer trading/investment facilities to the visually challenged persons without any discrimination and render all possible assistance to such persons for registering them as clients.

1.3 e-KYC Authentication facility under section 11A of the Prevention of Money Laundering Act, 2002 by Entities in the securities market for Resident Investors

In accordance with paragraph 63 of the SEBI Master Circular on KYC dated October 12, 2023, it was decided to accept e-KYC service launched by UIDAI also, as a valid process for KYC verification. The information containing relevant client details and photograph made available from UIDAI as a result of e-KYC process shall be treated as sufficient Proof of Identity and Address of the client. Also vide Circular Reference No. CIR/MIRSD/29/2016 dated January 22, 2016, SEBI clarified that the usage of Aadhaar card as issued by the UIDAI is voluntary. Hon'ble Supreme Court, in its judgement dated September 26, 2018, had struck down Section 57 of the Aadhaar Act as "unconstitutional" which means that no company or private entity can seek Aadhaar identification from clients or investors. The Aadhaar and Other Laws (Amendment) Ordinance, 2019 was promulgated on March 02, 2019, through which a new Section 11A was inserted in chapter IV of the Prevention of Money Laundering Act, 2002 ("PMLA"). The Aadhaar and Other Laws (Amendment) Act, 2019 was notified in the Gazette of India on July 24, 2019.

The Department of Revenue (DoR), Ministry of Finance issued a Circular dated May 09, 2019, on procedure for processing of applications under section 11A of the PMLA, for use of Aadhaar authentication services by entities other than the Banking companies. In terms of the said circular, if the Central Government is satisfied with the recommendations of the Regulator and Unique Identification Authority of India ("UIDAI") and reporting entity complies with such standards of privacy and security under the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 ("Aadhaar Act"), and it is necessary and expedient to do so, it may by notification, permit such entity to carry out authentication of the Aadhaar number of clients using e-KYC authentication facility.

The said circular also inter-alia specifies that, applications by the concerned entities under Section 11A of the PMLA for use of Aadhaar authentication services shall be filed before the Regulator, who after scrutiny shall forward the applications to UIDAI along with its recommendation. UIDAI shall scrutinize the applications received and send its recommendation to the Department of Revenue for notification under Section 11A of the PML Act. Based on a report of SEBI / UIDAI, if it is found that the reporting entity no longer fulfils the requirements for performing authentication under clause (a) of sub-section (1) of section 11A, the Central Government may withdraw the notification after giving an opportunity to the reporting entity.

Accordingly, entities in the securities market, as may be notified by the Central Government, shall be allowed to undertake Aadhaar Authentication under section 11A of the PMLA. SEBI Registered intermediaries for reasons such as online on-boarding of clients, customer convenience, increased efficiency and reduced time for client onboarding would prefer to use Aadhaar based e-KYC facility to complete the KYC of the client. These entities would be registered with UIDAI as KYC user agency ("KUA") and shall allow all the SEBI registered intermediaries to undertake Aadhaar Authentication of their clients for the purpose of KYC through them.

The SEBI registered intermediaries, who want to undertake Aadhaar authentication services through KUAs, shall enter into an agreement with any one KUA and get themselves registered with UIDAI as sub-KUAs. The agreement in this regard shall be as may be prescribed by UIDAI. The KUAs and sub-KUAs shall adopt the following process for Aadhaar e-KYC of investors (resident) in the securities market: -

A. Online Portal based Investor (Resident) e-KYC Process (Aadhaar as an OVD)

- i. Client visits portal of KUA or the SEBI registered intermediary which is also a Sub-KUA to open account/invest through intermediary.
- ii. For Aadhaar e-KYC, client is redirected to KUA portal. Client enters the Aadhaar Number or Virtual Id and provides consent on KUA portal. Adequate controls shall be in place to ensure that Aadhaar Number is not stored anywhere by the Sub-KUA or KUA.
- iii. Client will receive OTP in mobile number registered with Aadhaar. Client enters the OTP sent by UIDAI on KUA portal for Aadhaar e-KYC.
- iv. KUA will receive the e-KYC details from UIDAI upon successful Aadhaar authentication which will be further forwarded to Sub-KUA in encrypted format (using KUAs own encryption key) and will be displayed to the investor on portal. Sharing of e-KYC data by the KUA with Sub-KUA may be allowed under Regulation 16(2) of Aadhaar (Authentication) Regulation, 2016. Sub-KUA shall clearly specify the name of the KUA and Sub- KUA, and details of sharing of data among KUA and Sub-KUA while capturing investor consent.
- v. Client will fill the additional detail as required under KYC format.

B. Assisted Investor (Resident) e-KYC process (Aadhaar as an OVD)

- a. Client approaches any of the SEBI Registered Entity/ Sub-KUAs for e-KYC through Aadhaar.
- b. SEBI registered entities (Sub-KUAs) will perform e-KYC using registered / whitelisted devices with KUAs.
- c. KUA will ensure that all devices and device operators of Sub-KUA are registered / whitelisted devices with KUA.
- d. Client will enter Aadhaar No. or Virtual Id and provides consent on the registered device.
- e. Client provides biometric on the registered device.

- f. SEBI registered intermediary (Sub-KUA) fetches the e-KYC details through the KUA from UIDAI which will be displayed to the client on the registered device.
- g. Client will also provide the additional detail as required.

The KUA/ sub-KUA while performing the Aadhaar authentication shall also comply with the following:

- a. For sharing of e-KYC data with Sub-KUA under Regulation 16(2) of Aadhaar (Authentication) Regulations, 2016, KUA shall obtain special permission from UIDAI by submitting an application in this regard. Such permissible sharing of e-KYC details by KUA can be allowed with their associated Sub-KUAs only.
- b. KUA shall not share UIDAI digitally signed e-KYC data with other KUAs. However, KUAs may share data after digitally signing it using their own signature for internal working of the system.
- c. e-KYC data received as response upon successful Aadhaar authentication from UIDAI will be stored by KUA and Sub-KUA in the manner prescribed by Aadhaar Act/Regulations and circulars issued by UIDAI time to time.
- d. KUA/Sub-KUA shall not store Aadhaar number in their database under any circumstances. It shall be ensured that Aadhaar number is captured only using UIDAI's Aadhaar Number Capture Services ("ANCS").
- e. The KUA shall maintain auditable logs of all such transactions where e-KYC data has been shared with sub-KUA, for a period specified by the Authority.
- f. It shall be ensured that full Aadhaar number is not stored and displayed anywhere in the system and wherever required only last 4 digits of Aadhaar number may be displayed.
- g. As per Regulation 14(i) of the Aadhaar (Authentication) Regulation, 2016, requesting entity shall implement exception-handling mechanisms and backup identity authentication mechanism to ensure seamless provision of authentication services to Aadhaar number holders.
- h. UIDAI may conduct audit of all KUAs and Sub KUAs as per the Aadhaar Act, Aadhaar Regulations, AUA/KUA Agreement, Guidelines, circulars etc. issued by UIDAI from time to time.
- i. Monitoring of irregular transactions - KUAs shall develop appropriate monitoring mechanism to record irregular transactions and their reporting to UIDAI.

- j. Investor Grievance Handling Mechanism - Investor may approach KUA for their grievance redressal. KUA will ensure that the grievance is redressed within the timeframe as prescribed by UIDAI. KUA will also submit report on grievance redressal to UIDAI as per timelines prescribed by UIDAI.

Onboarding process of KUA/Sub-KUA by UIDAI:

- a. As provided in the DoR Circular dated May 09, 2019, SEBI after scrutiny of the application forms of KUAs shall forward the applications along with its recommendation to UIDAI.
- b. For appointment of SEBI registered intermediary / MF distributors as Sub-KUAs, KUA will send list of proposed Sub-KUAs to SEBI and SEBI would forward the list of recommended Sub-KUAs to UIDAI for onboarding. An agreement will be signed between KUA and Sub-KUA, as prescribed by UIDAI. Sub-KUA shall also comply with the Aadhaar Act Regulations, Circulars, Guidelines etc. issued by UIDAI from time to time.
- c. Each sub-KUA shall be assigned a separate Sub-KUA code by UIDAI.

For non-compliances if any observed on the part of the reporting entities (KUAs/SubKUAs), SEBI may take necessary action under the applicable laws and also bring the same to the notice of DoR / FIU for further necessary action, if any. Reporting entity (KUAs/Sub-KUAs) shall also adhere to the continuing compliances and standards of privacy and security prescribed by UIDAI to carry out Aadhaar Authentication Services under section 11A of PMLA. Based on a report from SEBI / UIDAI or otherwise, if it is found that the reporting entity no longer fulfills the requirements for performing authentication under clause (a) of section 11A (1) of PMLA, the Central Government may withdraw the notification after giving an opportunity to the reporting entity.

Entities permitted to undertake e-KYC Aadhaar Authentication service of UIDAI in Securities Market

Government of India, DoR, vide Gazette Notification No. G.S.R. 261(E) dated April 22, 2020, and G.S.R. 516(E) dated August 20, 2020, has notified the following reporting entities as per the recommendation by UIDAI and SEBI to undertake Aadhaar authentication service of the UIDAI under section 11A of the PMLA. In view of the same, the following entities shall undertake Aadhaar Authentication service of UIDAI subject to compliance of the conditions as laid down in this regard:

- I. Bombay Stock Exchange Limited
- II. National Securities Depository Limited
- III. Central Depository Services (India) Limited

- IV. CDSL Ventures Limited
- V. NSDL Database Management Limited
- VI. NSE Data and Analytics Limited.
- VII. CAMS Investor Services Private Limited
- VIII. Computer Age Management Services Private Limited
- IX. National Stock Exchange of India Limited

Entities allowed to use e-KYC Aadhaar Authentication services of UIDAI in Securities Market as sub- KUA

Further, Department of Revenue-Ministry of Finance, Government of India, vide Gazette Notification No. S.O. 3187(E) dated July 13, 2022, and S.O. 446 (E) dated January 30, 2023, has notified 155 reporting entities and 39 reporting entities respectively as sub-KUA to use Aadhaar authentication services of UIDAI under section 11A of the PMLA. Addition / Modification in the said list of entities is communicated by Department of Revenue, Ministry of Finance through gazette notification from time to time.

1.4 SEBI Master Circular on Know Your Client (KYC) norms for the securities market

SEBI has issued a Circular Reference No. SEBI/HO/MIRSD/SECFATF/P/CIR/2023/169 dated October 12, 2023, on the subject “*Master Circular on Know Your Client (KYC) norms for the securities market*”. The SEBI Master Circular on KYC dated October 12, 2023 is a compilation of the circulars/ directions issued by SEBI up to September 30, 2023, and includes certain modifications to align with the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (“**PML Maintenance of Records Rules**”) and the SEBI KYC (Know Your Client) Registration Agency Regulations, 2011. The said Master Circular is enclosed as **Exhibit 4.**

1.5 Clarification on KYC Process and Use of Technology for KYC

SEBI has issued the clarification on Know Your Client (KYC) Process and Use of Technology for KYC vide Circular Reference No. SEBI/HO/MIRSD/DOP/CIR/P/2020/73 dated April 24, 2020. Further, client’s KYC shall be completed through digital (online / Application (App) based) KYC to enable the online KYC process for establishing account based relationship with the registered intermediary, in-person verification through video, online submission of officially valid document / other documents, using electronic/digital signature, including Aadhaar e-Sign in the following manner:

- a) eSign service is an online electronic signature service that can facilitate an Aadhaar holder to forward the document after digitally signing the same provided the eSign

signature framework is operated under the provisions of Second schedule of the Information Technology Act and guidelines issued by the controller.

- b) In terms of rule 2 (1) (cb) of the PML Rules “equivalent e-document” means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature, including documents issued to the Digital Locker account of the investor as per Rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.
- c) Section 5 of the Information Technology Act, 2000 recognizes electronic signatures (which includes digital signature) and states that where any law provides that information or any other matter shall be authenticated by affixing the signature or any document shall be signed or bear the signature of any person then such requirement shall be deemed to have been satisfied, if such information or matter is authenticated by means of a digital signature affixed in such manner as prescribed by the Central Government. Therefore, the eSign mechanism of Aadhaar shall be accepted in lieu of wet signature on the documents provided by the investor. Even the cropped signature affixed on the online KYC form under eSign shall also be accepted as valid signature.

In order to enable the Online KYC process for establishing account-based relationship with the SEBI Registered Intermediaries (“**RI**”), Investor’s KYC can be completed through online / App based KYC, in-person verification through video, online submission of Officially Valid Document (“**OVD**”) / other documents under eSign, in the following manner:

- i) The investor visits the website/App/digital platform of the RI and fills up the online KYC form and submits requisite documents online.
- ii) SEBI RIs shall obtain the express consent of the client before undertaking online KYC.
- iii) The name, photograph, address, mobile number, email ID, Bank details of the investor shall be captured online and OVD / PAN / signed cancelled cheque shall be provided as a photo / scan of the original under eSign and the same shall be verified as under:
 - a. Mobile and email is verified through One Time Password (“**OTP**”) or other verifiable mechanism. The mobile number/s of investor accepted as part of KYC should preferably be the one seeded with Aadhaar (the RI shall ensure to meet the requirements of the mobile number and email as detailed under SEBI Circular No. CIR/MIRSD/15/2011 dated August 02, 2011).
 - b. Aadhaar is verified through UIDAI’s authentication / verification mechanism. Further, in terms of PML Rule 9 (16), every RI shall, where the investor submits his Aadhaar number, ensure that such investor to redact or blackout his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required under sub-rule (15). RI shall not store/ save the Aadhaar number of investor in their system. e-KYC through Aadhaar

Authentication service of UIDAI or offline verification through Aadhaar QR Code/ XML file can be undertaken, provided the XML file or Aadhaar Secure QR Code generation date is not older than 3 days from the date of carrying out KYC. In terms of SEBI Circular No. CIR/MIRSD/29/2016 dated January 22, 2016, the usage of Aadhaar is optional and purely on a voluntary basis by the investor.

- c. PAN is verified online using the Income Tax Database.
 - d. Bank account details are verified by Penny Drop mechanism or any other mechanism using API of the Bank. (Explanation: based on bank details in the copy of the cancelled cheque provided by the investor, the money is deposited into the bank account of the investors to fetch the bank account details and name). The name and bank details as obtained shall be verified with the information provided by investor.
 - e. Any OVD other than Aadhaar shall be submitted through Digilocker / under eSign mechanism.
- iv) In terms of Rule 2 (d) of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (“**PML Maintenance of Records Rules**”), “Officially Valid Documents” means the following:
- a) the passport,
 - b) the driving licence,
 - c) proof of possession of Aadhaar number,
 - d) the Voter's Identity Card issued by Election Commission of India,
 - e) job card issued by NREGA duly signed by an officer of the State Government and
 - f) the letter issued by the National Population Register containing details of name, address, or any other document as notified by the Central Government in consultation with the Regulator.
- v) Further, Rule 9(18) of PML Rules states that in case OVD furnished by the investor does not contain updated address, the document as prescribed therein in the above stated Rule shall be deemed to be the OVD for the limited purpose of proof of address.
- vi) PML Rules allows an investor to submit other OVD instead of PAN, however, in terms of SEBI Circular No. MRD/DoP/Cir- 05/2007 dated April 27, 2007, the requirement of mandatory submission of PAN by the investors for transaction in the securities market shall continue to apply.

- vii) Once all the information required as per the online KYC form is filled up by the investor, KYC process could be completed as under:
 - a. The investor would take a printout of the completed KYC form and after affixing their wet signature, send the scanned copy / photograph of the same to the RI under eSign, or
 - b. Affix online the cropped signature on the filled KYC form and submit the same to the RI under eSign.
- viii) The RI shall forward the KYC completion intimation letter through registered post/speed post or courier, to the address of the investor in cases where the investor has given address other than as given in the OVD. In such cases of return of the intimation letter for wrong / incorrect address, addressee not available etc., no transactions shall be allowed in such account and intimation shall also sent to the Stock Exchange and Depository.
- ix) The original seen and verified requirement under paragraph 48(c) of the SEBI Master Circular on KYC dated October 12, 2023, for OVD would be met where the investor provides the OVD in the following manner:
 - i. As a clear photograph or scanned copy of the original OVD, through the eSign mechanism, or;
 - ii. As digitally signed document of the OVD, issued to the DigiLocker by the issuing authority.
- x) Features for online KYC App of the RI:
 - i. SEBI registered intermediary may implement their own Application (App) for undertaking online KYC of investors.
 - ii. The App shall facilitate taking photograph, scanning, acceptance of OVD through Digilocker, video capturing in live environment, usage of the App only by authorized person of the RI.
 - iii. The App shall also have features of random action initiation for investor response to establish that the interactions not pre-recorded, time stamping, geo-location tagging to ensure physical location in India etc is also implemented.
 - iv. RI shall ensure that the process is a seamless, real-time, secured, end-to-end encrypted audiovisual interaction with the customer and the quality of the communication is adequate to allow identification of the customer beyond doubt. RI shall carry out the liveness check in order to guard against spoofing and such other fraudulent manipulations.

- v. The RI shall before rolling out and periodically, carry out software and security audit and validation of their App. The RI may have additional safety and security features other than as prescribed above.

Exchange vide Circular Reference No. NSE/INSP/51278 dated February 08, 2022, has further clarified that any document, except for the documents mentioned in the First Schedule of the IT Act 2000, may be authenticated by an investor by way of electronic/digital signature including Aadhaar eSign, therefore, the process of performing KYC can be completed by using electronic/digital signature including Aadhaar eSign. In case of non-individual clients, intermediaries may take caution and satisfy themselves regarding the genuineness of the authorization and identity of the authorized signatories

1.6 In-person verification ("IPV")

In accordance with SEBI Master Circular on KYC dated October 12, 2023, the IPV requirements for all the intermediaries have been streamlined and harmonized by SEBI, as follows:

- i. It shall be mandatory for all the intermediaries to carry out IPV of their clients.
- ii. The intermediary shall ensure that the details like name of the person doing IPV, his designation, organization with his signatures and date are recorded on the KYC form at the time of IPV.
- iii. The IPV carried out by one SEBI registered intermediary can be relied upon by another intermediary.
- iv. In case of Stockbrokers/Trading Members, or Authorised Persons appointed by the stockbrokers after getting approval from the concerned Stock Exchanges can perform the IPV.
- v. In case of Mutual Funds, their Asset Management Companies ("AMCs") and the distributors who comply with the certification process of National Institute of Securities Market (NISM) or Association of Mutual Funds (AMFI) and have undergone the process of 'Know Your Distributor (KYD)', can perform the IPV.
- vi. However, in case of applications received by the mutual funds directly from the clients i.e. not through any distributor, they may also rely upon the IPV performed by the scheduled commercial banks.
- vii. Clarification in respect of In-person Verification:-

In case of individuals:

- a. Stock Broker / Trading Member has an option of doing 'in-person' verification through web camera at the branch office of the Stock Broker / Trading Member / authorised person's office.

- b. In case of non-resident clients, employees at the stockbroker's local office, overseas can do in person verification. Further, considering the infeasibility of carrying out 'In-person' verification of the non-resident clients by the Stock Brokers / Trading Member's staff, attestation of KYC documents by Notary Public, Court, Magistrate, Judge, Local Banker, Indian Embassy / Consulate General in the country where the client resides may be permitted.
- viii. SEBI vide paragraph 61 of the SEBI Master Circular for KYC dated October 12, 2023, had harmonized the IPV requirements for the intermediaries. In order to ease the IPV process for KYC, the said SEBI circular pertaining to IPV stands modified as under:
 - a. IPV/ VIPV would not be required when the KYC of the investor is completed using the Aadhaar authentication / verification of UIDAI.
 - b. IPV / VIPV shall not be required by the RI when the KYC form has been submitted online, documents have been provided through digilocker or any other source which could be verified online.

ix. **Feature for Video in Person Verification ("VIPV") for Individuals:**

In accordance with the provisions of paragraph 60 of the SEBI Master Circular on KYC dated October 12, 2023, to enable ease of completing IPV of an investor, intermediary may undertake the VIPV of an individual investor through their App. The following process shall be adopted in this regard:

- a. Intermediary through their authorised official, specifically trained for this purpose, may undertake live VIPV of an individual customer, after obtaining his/her informed consent. The activity log along with the credentials of the person performing the VIPV shall be stored for easy retrieval.
- b. The VIPV shall be in a live environment.
- c. The VIPV shall be clear and still, the investor in the video shall be easily recognisable and shall not be covering their face in any manner.
- d. The VIPV process shall include random question and response from the investor including displaying the OVD, KYC form and signature or could also be confirmed by an OTP.
- e. The RI shall ensure that photograph of the customer downloaded through the Aadhaar authentication / verification process matches with the investor in the VIPV.
- f. The VIPV shall be digitally saved in a safe, secure and tamper-proof, easily retrievable manner and shall bear date and time stamping.
- g. The RI may have additional safety and security features other than as prescribed above.

1.7 Uploading KYC information with KYC Registration Agency (“KRA”)

SEBI simplified the account opening process for investors vide Circular Reference No. CIR/MIRAD/16/2011 dated August 22, 2011. Further, paragraph 20.1.2 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 prescribes guidelines for uniform KYC requirements for investors while opening accounts with any intermediary in the securities market.

Earlier, if a client intends to open accounts with different intermediaries for the purpose of trading / investment in the securities market, he has to undergo the process of Know Your Client KYC again and again. Therefore, to avoid duplication of KYC process with every intermediary, a mechanism for centralization of the KYC records in the securities market has been developed.

An intermediary shall perform the initial KYC of its clients and upload the details on the system of the KRA within 3 working days from the date of completion of completion. When the client approaches another intermediary, the Intermediary can verify and download the client’s details from the system of the KRA. As a result, once the client has done KYC with a SEBI registered intermediary, he is not required to undergo the same process again with another intermediary. Accordingly, SEBI has formulated the SEBI (KYC (Know Your Client) Registration Agency) Regulations, 2011 (“**KRA Regulations**”).

List of entities registered as KYC Registration Agency with SEBI, is available on SEBI website.

Guidelines for Intermediaries in pursuance of the KRA Regulations
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After doing the initial KYC of the new clients, the intermediary shall forthwith upload the KYC information on the system of the KRA within 3 working days from the date of completion of the KYC process.
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In case a client’s KYC documents sent by the intermediary to KRA are not complete, the KRA shall inform the same to the intermediary who shall forward the required information / documents promptly to KRA.
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The intermediary shall promptly provide KYC related information to KRA, as and when required. The intermediary shall have adequate internal controls to ensure the security / authenticity of data uploaded by it.
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Further, SEBI vide paragraph 86 of the SEBI Master Circular on KYC dated October 12, 2023, has prescribed that for existing clients, the KYC data shall be uploaded by the intermediary provided they are in conformity with the details sought in the uniform KYC format. While uploading these clients’ data the intermediary shall ensure that there is no duplication of data in the KRA system.

Guidelines for uploading the KYC data of the existing clients in pursuance of the KRA Regulations
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KRAs shall send letters to the clients within 2 working days of the receipt of the initial / updated KYC documents from intermediary. The KYC data of the existing clients, who trade / invest or deal after the prescribed time phase, shall be uploaded on a continuous basis.

While uploading the existing clients' KYC details in the KRA system, the intermediary shall indicate the date of account opening / activation / updation of information. In case the KRA system indicates that the client's KYC data already exists, the other intermediary shall upload the modifications, if any, after the aforesaid date so that the latest information about the client is available on the KRA system.

The intermediary shall highlight the KYC details about the existing client which is missing / not available, as per the KYC requirements prescribed by SEBI, only if it was not mandated earlier, when the client's account was opened. KRAs shall make necessary provisions in their systems to categorize the KYC of such clients under the category of existing clients and highlight the information which is missing / not available.

When the existing client approaches another intermediary, it shall be the responsibility of that intermediary which downloads the data of that client from the KRA system, to update the missing information, do IPV as per requirements if not done already and send the relevant supporting documents, if any, to the KRA. Thereafter, the KRA system shall indicate the records as updated.

Further, as per Regulation 16(a) of the KRA Regulations, intermediaries shall furnish the scanned images of the KYC documents to the KRA and retain the physical KYC documents.

Centralized mechanism for reporting the demise of an investor through KRAs

SEBI has issued Circular No. SEBI/HO/OIAE/OIAE_IAD-1/P/CIR/2023/0000000163 dated October 03, 2023, on the subject "Centralized mechanism for reporting the demise of an investor through KRAs". A centralized mechanism for reporting and verification in case of the demise of an investor and thereby smoothen the process of transmission in securities market has been introduced. The circular lists out operational norms including obligations of regulated entities, including registered intermediaries that have interface with 'investors'/'account holders' who are natural persons.

Listed companies wanting to provide the beneficial access to such a centralized mechanism to their investors holding securities in physical form, are eligible to establish connectivity with KRA through their RTAs. A copy of the said circular is enclosed as **Exhibit 5**.

1.8 Delivery of copy of duly completed Client registration forms

In accordance with the provisions of Annexure 37 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, in order to facilitate investors to have access to the details provided by them to Stock Brokers / Trading Members at the time of registration of their accounts, the Stock Brokers / Trading Members are required to comply with the following:

1. A copy of all the documents executed by client shall be given to him, free of charge, within 7 days from the date of execution of documents by the client. The Stock Broker / Trading Member shall take client's acknowledgement for receipt of the same.
2. The timeline of 7 days should start from the day of upload of UCC to the Exchange by the Stock Brokers / Trading Members.
3. The trading code and the unique client code allotted to a client and the email id furnished by the client for the purpose of receiving electronic contract notes and other details, shall be communicated by the Stock Broker / Trading Member through the KYC form or otherwise in writing to the clients.
4. Proof of such delivery/communication is to be maintained along with the registration documents pertaining to the clients. In respect of existing clients, the above-mentioned documents and details may be provided upon request from such clients.
5. The stockbrokers/trading members having own websites shall display all the documents executed by a client, client's position, margin and other related information, statement of accounts, etc. in the website and allow secured access by way of client-specific user id and password.
6. It is clarified that the Stock Brokers / Trading Members having their own website shall display the set of standard documents on the website for information.
7. **Simplification of Account Opening Kit:**

In order to further simplify the process of client registration, SEBI vide paragraph 20.12 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 prescribed that Stock Brokers / Trading Members can make available the standard documents such as Rights & Obligations, Risk Disclosure Document, Do's and Don'ts to their clients either in electronic or physical mode as per the preference of the clients after maintaining appropriate proof of dispatch/logs. The preference of the client shall be sought as part of the account opening form. In case the documents are made available in electronic form, stockbroker shall maintain logs of the same.

1.9 Allotment of two Trading Codes

In accordance with Exchange Circular Reference No. NSE/INSP/9859 dated December 04, 2007 for those investors who are required by applicable regulations not to buy or sell without adequate funds or securities to their credit before execution of transaction and whose transactions are to be settled by delivery only, the Stock Brokers / Trading Members may be permitted to allot up to two trading client codes i.e. for their buy and sell transactions separately and so that each leg of transaction is treated separately and not netted. Both the trading client codes would be mapped to the same Unique Client Code for the client. STT liability for such entities is thus to be determined on the basis of transactions being required to be settled by delivery only.

It is reiterated that the requirement is to be complied in letter and spirit by all the Stock Brokers / Trading Members in respect of the eligible clients without exception, failing which the Exchange will take such **disciplinary action as it may deem fit**.

1.10 Execution of ‘Demat Debit and Pledge Instruction’ (DDPI) / Power of Attorney by clients¹

In accordance with paragraph 36 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, SEBI has prescribed guidelines regarding execution of a ‘Demat Debit and Pledge Instruction’ (“**DDPI**”) (Enclosed as **Exhibit 6**), under which the clients shall explicitly agree to access the Beneficial Owner (BO) account of the client to meet settlement obligations of the trade executed by the client. In order to make the process more transparent and simpler, the following conditions shall be made part of a separate document viz. ‘Demat Debit and Pledge Instruction’ (DDPI).

- i. Transfer of securities held in the beneficial owner accounts of the client towards Stock Exchange related deliveries / settlement obligations arising out of trades executed by clients on the Stock Exchange through the same stock broker/trading member. For pledging / re-pledging of securities in favour of the Stock Broker / Trading Member / Clearing Member for the purpose of meeting margin requirements of the client in connection with the trades executed by such a client on the Stock Exchange;
- ii. Pledging / re-pledging of securities in favour of TM/ CM for the purpose of meeting margin requirements of the clients in connection with the trades executed by the clients on the Stock Exchange. Tendering shares in open offers through Stock Exchange platforms which shall be in compliance with SEBI circular SEBI/HO/CFD/DCR-III/CIR/P/2021/615 dated August 13, 2021 or any other circular which may be issued in this regard;
- iii. Mutual Fund transactions being executed on stock exchange order entry platforms and which shall be in compliance with SEBI Circulars with Reference No. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2021/634 dated October 04, 2021, SEBI/HO/IMD/IMD-I DOF5/P/CIR/2021/635 dated October 04, 2021 and SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/29 dated March 15, 2022 or any other circular which may be issued in this regard; and.
- iv. Tendering shares in open offers which shall be in compliance with SEBI circular SEBI/HO/CFD/DCR-III/CIR/P/2021/615 dated August 13, 2021 or any other circular which may be issued in this regard.

¹ Deletion of “Power of Attorney” as per amendment vide SEBI Circular Reference No SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2022/137 dated October 06, 2022.

The DDPI shall serve the same purpose of PoA and significantly mitigate the misuse of PoA. The use of DDPI shall be limited only for the purposes as mentioned in para i. ii. iii. and iv. above.

The client may use the DDPI or opt to complete the settlement by issuing physical Delivery Instruction Slip (“**DIS**”) or electronic Delivery Instruction Slip (“**eDIS**”) themselves. Hence, PoA shall no longer be executed for the conditions specified above.

The DDPI shall be indexed as part of the Voluntary Documents in Annexure – 7 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, and shall be executed only if the client provides his/her explicit consent for the same, including internet based trading. The DDPI shall also be adequately stamped. The DDPI can be digitally signed by the clients.

The existing power of attorneys (“**PoAs**”) (executed prior to September 01, 2022) shall continue to remain valid till the time client revokes the same. Thus, the stockbroker/stockbroker and depository participant shall not directly / indirectly compel the clients to execute the DDPI or deny services to the client if the client refuses to execute the DDPI.

Also, as mentioned above, both the DDPI and PoA are optional and should not be insisted upon by the stockbroker / stockbroker depository participant for opening of the client account.

For the execution of the DDPI for fulfilling delivery / settlement obligations, prior to executing actual transfer of securities based on details provided by Stock Broker / Trading Member / Stock Broker / Trading Member and depository participant, the Depositories shall ensure matching and confirming the transfer of securities with client-wise net delivery obligation arising from the trade executed on the exchange, as provided by the Clearing Corporation to Depositories for each settlement date.

Securities transferred on the basis of the DDPI provided by the client shall be credited to client’s TM pool account / CM pool account / demat account of clearing corporation, as the case may be. The DDPI provided by the client shall be registered in the demat account of the client by TM /CM. Stock Exchanges and Depositories shall ensure that Stock Broker / Trading Member / Stock Broker / Trading Member and depository participant providing DDPI facility, has enabled its clients to revoke / cancel the DDPI provided by them.

1.11 Trading Account of NRIs

Exchange has issued FAQs for NRI- Trading account. Clarification in respect of trading by NRI’s in the form of frequently asked questions is enclosed as **Exhibit 7**.

1.12 Nomination for Eligible Trading Accounts

In accordance with paragraph 21 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, investors opening new trading account(s) on or after October 01, 2021, shall have the choice of providing nomination or opting out nomination as follows:

- a. The format for nomination form is given in **Exhibit 8**.
- b. Opt out of nomination through 'Declaration Form', as provided in **Exhibit 9**.

The nomination and Declaration form shall be signed under wet signature of the account holder(s) and witness shall not be required. However, if the account holder(s) affixes thumb impression (instead of wet signature), then witness signature shall be required in the forms.

The on-line nomination and Declaration form may also be signed using e-Sign facility and in that case witness will not be required.

Intermediaries shall ensure that adequate systems are in place including for providing for eSign facility and also take all necessary steps to maintain confidentiality and safety of client records.

Existing investors who have not submitted nomination details till date and intend to submit their nomination or opt out of nomination (not to nominate any one) may also be allowed to do so by way of two factor authentication (2FA) login on the internet trading platform for Stock Brokers/Trading Members providing such services.

1.13 Guidelines on Identification of Beneficial Ownership

The Government of India has specified a uniform approach to be followed towards determination of beneficial ownership. Accordingly, in accordance with SEBI Circular Reference No. SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2024/78 dated June 06, 2024 the stock brokers shall comply with the following guidelines:

A. For clients other than individuals or trusts:

The intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

- a. where the client is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means.

Explanation:

“Controlling ownership interest” means ownership of or entitlement to more than 10% of shares or capital or profits of the company;

“Control” shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

- b. where the client is a partnership firm, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of/entitlement to more than 10% of capital or profits of the partnership or who exercises control through other means.

Explanation – “Control” shall include the right to control the management or policy decision.

- c. where the client is an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than 15% of the property or capital or profits of such association or body of individuals;
- d. where no natural person is identified under (a) or (b) or (c) above, the beneficial owner is the relevant natural person holds the position of senior managing official.

B. For client which is a trust:

The intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through 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 through a chain of control or ownership.

C. Exemption in case of listed companies:

Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

D. Applicability for foreign investors:

Intermediaries dealing with foreign investors’, may be guided by the Master Circular for Foreign Portfolio Investors, DDPs and Eligible Foreign Investors as issued by SEBI (SEBI/HO/AFD/AFD-PoD-2/P/CIR/2024/70 dated May 30, 2024) and amended from time to time.

The registered intermediaries shall conduct ongoing CDD where inconsistencies are noticed in the information provided. The underlying objective shall be to follow the requirements enshrined in the PMLA, PML Rules, SEBI Act and Regulations, directives and circulars issued thereunder so that the intermediary is aware of the clients on whose behalf it is dealing.

The registered intermediaries shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

1.14 Client Registration Documents in vernacular language

In order to facilitate better understanding of the registration documents by the investors, Exchange vide Circular Reference. No. NSE/INSP/2016/32759 dated July 08, 2016 has provided the following documents in 15 regional vernacular languages.

1. Document stating the Rights & Obligations of Stock Broker / Trading Member and client for trading on exchanges including additional rights & obligations in case of internet / wireless technology based trading
2. Uniform Risk Disclosure Documents for all segments / exchanges
3. Guidance Note detailing Do's and Don'ts for trading on exchanges

The above-mentioned documents in the vernacular languages are available on NSE website at <https://www.nseindia.com/invest/investors-home> and can be downloaded. Stock Brokers / Trading Members are advised to make available the documents to their clients on demand and also display the same on their own website. It may be noted that the documents are a translated version of the original documents in English. In case of any ambiguity the contents of the English version would prevail.

1.15 Treatment of Inactive Trading Account

Exchange vide Circular Reference No. NSE/INSP/64718 dated October 25, 2024 has advised Stock Brokers / Trading Members to note revised guidelines on Treatment of Inactive Trading Account provided which are as follows:

- I. Definition of Inactive Trading Account: In case of trading account, the term inactive account refers to such account wherein any of below mentioned activities has not been carried out by client since last 24 (Twenty-Four) months:
 - (a) Trading or participation in OFS/buy-back/Open Offer across any of the exchanges/segments* of the exchanges through the same Stock Broker / Trading Member or

*Cash/Equity Derivative/ Currency Derivative/ Commodities Derivative/EGR /Debt/Online Bond Platform/ Execution Only Platform /Any other segment as may be allowed by SEBI/stock exchanges from time to time.
 - (b) Transaction in nature of applying/subscribing IPOs (where the IPO bid is successful & not cancelled)/SGBs/Mutual Funds (lumpsum investment or investments through successful SIP instalment payments) on the Mutual Fund platform of the stock exchanges through the same Stock Broker / Trading Member or

- (c) Modification/updation of e-mail Id/Mobile Number/Address in KYC record of client through the same Stock Broker / Trading Member and the same has been uploaded to KRA to ensure Validated/Registered status.
- II. The inactive accounts identified based on the above criteria shall be flagged as 'Inactive' by the Stock Broker / Trading Member in UCC database of all the respective Exchanges.
- III. In case the client who is flagged as inactive seeks re-activation of the trading account, the Stock Broker / Trading Member, while reactivating the said client, shall:
 - (a) Mandatorily comply with In-Person Verification/Video In-Person Verification (IPV/VIPV) requirement specified in the SEBI Master Circular on KYC dated October 12, 2023.
 - (b) Seek confirmation from the client if there is any change in clients' basic details such as Address, Mobile number, Email ID, Bank/DP account, income, etc. as registered with the Stock Broker / Trading Member. In case of changes in any of the said details, the Stock Broker / Trading Member shall seek the updated details along with the necessary documents and update in its records as well in the UCC records of the respective Exchanges. In case of KRA Validated status or Registered status through same intermediary cases, the Stock Broker / Trading Member may fetch the details along with the necessary documents from the KRA record and display the said details for confirmation of the client and updation in its record. If there is change, then the Stock Broker / Trading Member shall update the UCC records of Exchanges as well as KRA. If client has confirmed that there is no change, the Stock Broker / Trading Member shall maintain the verifiable logs of the same.
 - (c) Notwithstanding anything contained above, in case a client seeks re-activation then Stock Broker / Trading Member shall verify client status as per KRA and if the client status as per KRA is not validated (i.e. "On hold"/"Rejected"/"Registered" through other intermediary, etc.) then the Stock Broker / Trading Member shall seek basic details like Address, Mobile number, Email ID, Bank/DP account, income, etc. along with the necessary documents as required by KRA and upload the same to KRA to ensure validated/registered status as per KRA before permitting client to trade on the Exchanges.
- IV. Once an inactive trading account is re-activated as per the procedure prescribed in point no. III mentioned above, the computation of next 24 months for the purpose of identifying client as inactive in the subsequent period shall be considered from the date of last reactivation of trading account.
- V. Stock Broker / Trading Member may send the communication/notification to the clients prior to flagging their trading account as inactive however such communication/notification should not ask the clients to trade in order to prevent their

accounts from being flagged as inactive. Any non-compliance in this regard shall be viewed seriously and strict disciplinary actions against the Stock Broker / Trading Member may be initiated.

- VI. In case of existing clients who are inactive as per earlier guidelines, but are active as per revised guidelines, they may be considered as active client for trading. However, while reactivating such clients' accounts, the Stock Brokers / Trading Members shall also ensure to update the status of such clients as active in UCC database of Exchange.
- VII. The Stock Broker / Trading Member shall not be required to upload the details of such inactive clients having NIL balances in daily submission of Holding Statement to the Exchange as prescribed in Exchange Circular No. NSE/INSP/55380 dated January 25, 2023 and daily submission of Segregation and Monitoring of Collateral at Client level to Clearing Members/Clearing Corporations. However, details of the clients having funds or securities balances shall be reported (daily submission of Segregation and Monitoring of Collateral at Client level file reporting to Clearing Corporations in case of funds and daily submission of Holding Statement to the Exchange in case of securities) even if their UCC has been flagged as 'Inactive'.
- VIII. Notwithstanding anything contained above, the Stock Broker / Trading Member shall also ensure adequate due diligence of the client on an ongoing basis (including, but not limited to, doing Re-KYC) in compliance with the provisions of the PMLA guidelines issued from time to time and in accordance with their respective KYC policies.
- IX. Return of Clients assets: Stock Brokers / Trading Members are required to ensure that all client accounts are settled on monthly or quarterly basis (as per the client preferences) in the manner prescribed from time to time. In case a Stock Broker / Trading Member is unable to settle the client accounts due to non-availability of client's account details and non-traceability of client, Stock Brokers / Trading Members are advised to make all efforts to trace the clients to settle client account and maintain an audit trail for such efforts made for tracing such clients and settling their account. In case of receipt of any claims from such clients, Stock Brokers / Trading Members are advised to settle the accounts immediately and ensure that the payment/delivery is made to the respective clients only. Stock Broker / Trading Member shall ensure to keep such unsettled funds up streamed to Clearing Corporations.

1.16 Guidelines for online closure of trading accounts

Exchange vide Circulars Reference No. NSE/INSP/49055 dated July 26, 2021 and Reference No. NSE/INSP/63829 dated September 09, 2024, has issued guidelines to the Stock Brokers / Trading Members to make available the facility for online closure of trading accounts. The guidelines for online closure of trading accounts is specified below. Further Stock Brokers / Trading Members are also advised to inform their clients regarding the availability of facility for online closure of trading accounts and its guidelines through emails, SMS, weekly / fortnightly / monthly newsletters etc.

- i. Client shall be entitled to close the trading account through online mode without giving any reasons to the Stock Broker / Trading Member. Clients shall not be restricted from requesting, through online mode or offline mode, for the closure of trading account maintained with a Stock Broker / Trading Member, subject to the compliance requirements as stipulated by SEBI / Stock Exchange from time to time.
- ii. Online request for closing of trading accounts shall be made available for the clients who have opened their accounts offline or online, by those Stock Brokers / Trading Members which provide facility of opening account online and provide various services to their clients in online mode. Those Stock Brokers / Trading Members that do not provide any services online and do not open accounts online may not be required to offer online closure of trading accounts.
- iii. In case of trading account, the client can request for account closure through web portal / app of the Stock Broker / Trading Member through secured access with 2 factor authentication or by sending the trading account closure request on email through his/her/its registered email ID. The closure request received through SMS, other messaging apps, etc. shall not be entertained by the Stock Broker / Trading Member.
- iv. Once the application for closure of trading account is received, the Stock Broker / Trading Member shall provide acknowledgement to the client on registered email id and / or mobile number about the receipt of closure request and shall not permit any further requests for execution of trades by the client.
- v. Trading account can be closed only if the client doesn't have a negative account balance and / or client do not have any open position and there are no pending arbitration matters / orders prohibiting the release of the client funds & securities at the time of account closure request. In case the client has debit balance (after considering balance across Stock Exchanges) or open positions and applies for closure of trading account, the Stock Broker / Trading Member shall send a written response to client asking him to clear the debit balance / open positions prior to initiating the process for closure of broking account.
- vi. On closure request, the Stock Broker / Trading Member shall return funds and release all collateral and pledged securities back to the clients and close the trading account within 3 working days, subject to conditions mentioned in paragraph 5 above. Client needs to ensure that there are no securities / commodities available in the Member's demat account at the time of account closure request.
- vii. If the Stock Broker / Trading Member authorises the request received, the trading account will get closed. Once the trading account is closed, thereafter Stock Broker / Trading Member shall inform the same to the client and update the client status in the UCC database of the Stock Exchange as inactive / deleted, as applicable and thereafter the Stock Broker / Trading Member is not required to report details of such client in segregation and monitoring of collateral at client level reporting.

- viii. If the Stock Broker / Trading Member rejects the client request for online closure of trading account received, the Stock Broker / Trading Member shall mention the reason for such rejection and communicate the same to the client.
- ix. Stock Brokers / Trading Members shall ensure that the applications are processed as per the timelines mentioned above. Stock Broker / Trading Member shall maintain and store system logs of the closure instructions received in electronic form in a secured manner and the same shall be subject to 100% internal audit.
- x. Notwithstanding any such closure of trading account, all rights, liabilities and obligations of the parties arising out of or in respect of transactions entered into prior to the closure of trading account shall continue to subsist and vest in / be binding on the respective parties or his / its respective heirs, executors, administrators, legal representatives or successors, as the case may be.
- xi. Exchanges shall continue its complaint redressal mechanism for dealing with complaints related to online closure of trading accounts.

1.17 Operationalisation of Central KYC Records Registry (CKYCR) and uploading of clients' KYC details

Government of India has authorized the Central Registry of Securitization and Asset Reconstruction and Security interest of India (“**CERSAI**”), to act as, and to perform the functions of, the Central KYC Records Registry under the PML Rules 2005, including receiving, storing, safeguarding and retrieving the KYC records in digital form of a client. Accordingly, in accordance with paragraph 114 of the SEBI Master Circular on KYC dated October 12, 2023, all reporting entities are required to capture the KYC information for sharing with the Central KYC Records Registry.

As per paragraph 115 and 116 of the SEBI Master Circular on KYC dated October 12, 2023, the KYC details of existing and new individual clients shall be uploaded as under:

- A) Registered intermediaries (RI) shall within ten days after the commencement of an account – based relationship with a client, file the electronic copy of the client’s KYC records with the CKYCR.
- B) Registered intermediaries shall ensure that all existing KYC records of legal entities and of individual clients are uploaded on to CKYCR when the updated information is obtained / received from the client.
- C) Where a client, for the purpose of establishing an account based relationship, submits a KYC Identifier to a RI, with an explicit consent to download records from CKYCR, then such RI shall retrieve the KYC records online from CKYCR using the KYC Identifier and the client shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless there is a change in the information of the client as existing in the records of CKYCR.

- D) Once KYC Identifier is generated by CKYCR, the RIs shall ensure that the same is communicated to the individual/legal entity.
- E) The provisions of this circular are not applicable to Foreign Portfolio Investors (“FPIs”).

1.18 **Know Your Client requirements for Foreign Portfolio Investors**

SEBI (Foreign Portfolio Investors) Regulations, 2019 (“**FPI Regulations**”) have been notified and have come into force with effect from September 23, 2019.

The SEBI (Foreign Portfolio Investors) (Amendment) Regulations, 2022 was notified on January 14, 2022 for generation of FPI registration number by SEBI.

FPIs are required to provide KYC related documents based on the category under which it is registered. Once the KYC is completed, the intermediary will upload the Form and supporting documents on the KRA portal for other market intermediaries to access and complete their KYC requirements. Apart from the KYC requirement stated below, each intermediary may have additional documentation requirement for conducting enhanced due diligence as per their internal policies. The KYC documentation applicable for FPIs shall be as under:

Sr. No	Document Type	KYC Documentation Details	Category - I	Category - II
1	Applicant Level	Constitutive Docs (MoA, COI, prospectus etc.)	Required	Required
2		Proof of Address ¹	Required	Required
3		PAN	Required	Required
4		Board Resolution ²	Not required	Required
5		FATCA / CRS form	Required	Required
6		Form/ KYC Form	Required	Required
7	Authorised Signatories	List of Signatures ²	Required	Required
8	Ultimate Beneficial Owner (UBO)	List of UBO including the details of Intermediate BO ³	Required	Required
9		Proof of Identity	Not Required	Required
¹ Power of Attorney having address provided to Custodian is accepted as address proof.				
² Power of Attorney granted to Global custodian/ local custodian is accepted in lieu of Board Resolution (BR). BR and the authorized signatory list (ASL) is not required if SWIFT is used as a medium of instruction.				

Sr. No	Document Type	KYC Documentation Details	Category - I	Category - II
³	UBO is not required for Government and Government related entities.			

Intermediary can verify the PAN of FPIs online from website authorized by the Income-Tax department. To clarify no certification of PAN document required from FPI. Alternatively, e-PAN issued by CBDT can also be produced by FPI for KYC compliance without requiring any certifications. In such situations where the Stock Broker / Trading Member is relying on KRA, it shall verify the PAN and download the available documents from KRA. PAN is not mandatory for UBO, senior management and authorized signatories of FPI.

Sharing of KYC documents with banks towards opening of bank accounts of FPIs

- Intermediaries are advised to share the relevant KYC documents with the banks concerned based on appropriate authorization.
- Accordingly, a set of hard copies of the relevant KYC documents furnished by the FPIs to intermediaries may be transferred to the concerned bank through their authorised representative.
- While transferring such documents, intermediaries shall certify that the documents have been duly verified with the original or notarised documents have been obtained, where applicable. In this regard, a proper record of transfer of documents, both at the level of the Intermediaries as well as at the bank, under signatures of the officials of the transferor and transferee entities, may be kept.

SEBI vide Master Circular no: SEBI/HO/AFD/AFD-PoD-2/P/CIR/2024/70 dated May 30, 2024, has issued "Master Circular for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors".

1.19 **Amendment to the Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT)**

SEBI has issued Circular Reference No. SEBI/HO/MIRSD/SEC-FATF/P/CIR/2023/0170 dated October 13, 2023, on the subject "Amendment to the 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 PML Rules framed there under". The said Circular is enclosed as **Exhibit 10**.

Stock Brokers / Trading Members are advised to take note of aforementioned guidelines and the modification in the master circular from time to time.

1.20 **Trading Preferences by Clients**

SEBI vide Paragraph 20.5 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 read along with Exchange Circular Reference No. NSE/INSP/57242 dated June 22, 2023 and NSE/INSP/57441 dated July 05, 2023, on the subject “Trading Preferences by Clients”, has prescribed standardized format of “Trading Preferences” in order to ensure that clients are permitted to access all the stock exchanges in which the stockbrokers are registered for the same segment. Accordingly, Para C of Annexure 8 of SEBI Master Circular for Stock Brokers dated August 09, 2024, provides as under:

C. TRADING PREFERENCES					
Please sign in the relevant boxes where you wish to trade. Please strike off the segment not chosen by you.					
Exchanges	NSE, BSE & MSEI				MCX, NCDEX, BSE & NSE
All Segments	Cash/ Mutual Fund	F&O	Currency	Debt	Commodity Derivatives
If you do not wish to trade in any of segments/ Mutual Fund, please mention here _____.					

All stockbrokers are mandated to register their new clients on all the active stock exchanges after obtaining trading preferences as per the aforementioned format.

Further, based on the queries/ representations received from Stock Brokers / Trading Members, Exchange vide Circular Reference No. NSE/INSP/57652 dated July 20, 2023, has issued FAQs on the subject which are attached as **Exhibit 11**.

SEBI issued Circular Reference No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/132 dated August 01, 2023, on the subject “*Trading Preferences by Clients – Applicability for commodity derivatives*”. A copy of the said SEBI circular is enclosed as **Exhibit 12**. Vide Circular Reference No. NSE/INSP/60042 dated December 29, 2023, the Exchange has clarified that Stock Brokers / Trading Members shall obtain express consent and/or explicit confirmation from the clients for the trading preferences in the Equity Derivatives/Currency Derivatives/Commodities Derivatives Segments by providing an option to the clients to only select/opt in at the time of onboarding of the client.

1.21 **Most Important Terms and Conditions**

SEBI vide paragraph 20.4 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 and Exchange vide Circular Reference No. NSE/INSP/59367 dated November 15, 2023 required the stock brokers/trading members to inform a standard “Most Important Terms & Conditions (“MITC”), which shall be acknowledged by the Client.

The standard MITC as finalized in accordance with point no. 4 of the SEBI Circular Reference No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/180 dated November 13, 2023 is enclosed herewith as **Exhibit 13**.

With respect to new clients onboarded from April 01, 2024 onwards, the MITC shall require to be acknowledged i.e. duly signed by the client. Further, in accordance with aforesaid SEBI Circular dated November 13, 2023, Stock Brokers / Trading Members are also requested to note that the MITC shall be informed by Stock Brokers / Trading Members to their existing clients by June 01, 2024, via email or any other suitable mechanism which can be preserved. In case if communication gets bounced/undelivered, the same shall be communicated through alternate channels to such clients. Other suitable mechanism may include physical delivery/SMS/electronic instant messaging services after adhering with the safeguards prescribed under Exchange Circular Reference No. NSE/INSP/52604 dated June 10, 2022.

REGULATORY REQUIREMENTS/ REFERENCES:

S. No	SUBJECT	CIRCULAR REFERENCES
1	Account Opening Process	SEBI Circular CIR/MIRSD/16/2011 dated August 22, 2011 along with Annexures 1 to 6; No: NSE/INSP/18677; Circular No. NSE/INSP/2011/121 August 22, 2011; SEBI Circular CIR/MIRSD/09/2012 dated August 13, 2012; Download Ref. No.: NSE/INSP/21465; Circular Ref. No.: 142/2012 dated August 13, 2012; SEBI Circular CIR/MIRSD/11/2012 dated September 05, 2012; Download Ref. No.: NSE/INSP/21622; Circular Ref. No.: 143/2012 dated September 5, 2012; SEBI Circular CIR/MIRSD/01/2013 dated January 04, 2013; Download Ref. No.: NSE/INSP/22490; Circular Ref. No.: 152/2013 dated January 7, 2013; Circular Ref. No.: 166/2013 dated September 13, 2013; SEBI Circular CIR/MIRSD/ 09/ 2013 dated October 8, 2013; Download Ref. No.: NSE/INSP/24676; Circular Ref. No.: 167/2013 dated October 8, 2013; SEBI Circular CIR/MIRSD/13/2013 dated December 26, 2013; Download Ref. No.: NSE/INSP/25392; Circular Ref. No.: 176/2013 dated December 26, 2013 ; SEBI Circular CIR/MIRSD/1/2015 dated March 04, 2015; Download Ref. No.: NSE/INSP/29057; Circular Ref. No.: 221/2015 dated March 5, 2015; Download Ref. No.: NSE/INSP/29071; Circular Ref. No.: 222/2015 dated March 9, 2015; Download Ref. No.: NSE/INSP/26779; Circular Ref No.: 183/2014 dated May 26, 2014; SEBI Circular CIR/IMD/FIIC/11/2014 dated June 16, 2014; Download Ref. No.: NSE/INSP/26942; Circular Ref. No.: 186/2014 dated June 17, 2014; Download Ref. No.: NSE/INSP/29683; Circular Ref. No.: 233/2015 dated May 12, 2015; Download Ref. No.: NSE/INSP/31977; Download Ref. No.: NSE/INSP/31629; Circular Ref No.: 268/2016 dated January 25, 2016; SEBI Circular No. CIR/MIRSD/29/2016 dated Jan 22, 2016, Circular Ref. No: 39/2019, Download Ref No: NSE/INSP/42585 dated November 05, 2019, SEBI Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2019/123 dated November 05, 2019, Circular Ref. No: 40/2019, Download Ref No: NSE/INSP/42604 dated November 06, 2019, SEBI Circular No. IMD/FPI&C/CIR/P/2019/124 dated November 05, 2019, SEBI Circular No. HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024.
2	e-KYC Authentication facility under section 11A of the PMLA by	Download Ref No: NSE/INSP/42585 dated November 05, 2019, SEBI Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2019/123 dated November 05, 2019. Download Ref No: NSE/INSP/44362

S. No	SUBJECT	CIRCULAR REFERENCES
	Entities in the securities market for Resident Investors	dated May 13, 2020, SEBI/HO/MIRSD/DOP/CIR/P/2020/80 dated May 12, 2020, Download Ref No: NSE/INSP/45644 dated September 08, 2020, SEBI/HO/MIRSD/DOP/CIR/P/2020 dated September 08, 2020. Download Ref No: NSE/INSP/53062 dated July 22, 2022, SEBI Circular SEBI/HO/MIRSD/SEC-5/P/CIR/2022/99 dated July 20, 2022. Download Ref No: NSE/INSP/55568 dated February 09, 2023, SEBI Circular SEBI/HO/MIRSD/SEC-5/P/CIR/2023/0026 dated February 08, 2023. Download Ref. No.: SEBI/HO/MIRSD/SECFATF/P/CIR/2023/169 dated October 12, 2023.
3	SEBI Master Circular on Know Your Client (KYC) norms for the securities	Download Ref. No.: SEBI/HO/MIRSD/SECFATF/P/CIR/2023/169 dated October 12, 2023; NSE/INSP/58955 dated October 16, 2023
4	Clarification on KYC Process and Use of Technology for KYC	SEBI Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/73 dated April 24, 2020, Download ref no: NSE/INSP/44237 dated April 25, 2020, Exchange Circular NSE/INSP/51278 dated February 08, 2022 and Exchange Circular NSE/INSP/60042 dated December 29, 2023
5	In-person verification IPV	Circular no. NSE/INSP/2008/68, download reference no. NSE/INSP/10938 dated 4th July 2008, SEBI Circularis/MIRSD/16/2011 dated August 22, 2011 along with Annexures 1to 6; Download Ref. No: NSE/INSP/18677; Circular No. NSE/INSP/2011/121 August 22, 2011, SEBI Circular No MIRSD/Cir- 26 /2011dated December 23, 2011 Circular Ref. No.: 128/2011, download Ref. No.: NSE/INSP/19654 dated December 26, 2011
6	Uploading KYC information with KYC Registration Agency KRA	SEBI Circular No. MIRSD/Cir-23/2011dated December 5, 2011, Circular Ref. No.: 125/2011 download Ref. No.: NSE/INSP/19511 dated December 6, 2011, SEBI Circular No. MIRSD/Cir- 26 /2011dated December 23, 2011 Circular Ref. No.: 128/2011, download Ref. No.: NSE/INSP/19654 dated December 26, 2011, download Ref. No.: NSE/INSP/20162 dated February 29, 2012,SEBI Circular MIRSD/ Cir-5 /2012 dated April 13, 2012; Download Ref. No.: NSE/INSP/20547; Circular Ref No.: 134/2012 dated April 13, 2012, SEBI notification no LAD-NRO/GN/2012- 13/35/6998 dated March 22, 2013; SEBI Circular CIR/MIRSD/4/2013 dated March 28, 2013 Download Ref. No.: NSE/INSP/23113, Circular Ref No.: 156/2013 dated April 2,

S. No	SUBJECT	CIRCULAR REFERENCES
		2013, SEBI Circular No. HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024.
7	Delivery of copy of duly completed Client registration forms	SEBI Circular MIRSD/ SE /Cir-19/2009 dated 3rd December, 2009, Exchange Download Ref. No: NSE/INSP/13606, Exchange Circular No. NSE/INSP/2009/85 dated 3rd December, 2009; Circular No. NSE/INSP/2008/67, download reference no. NSE/INSP/10872 dated June 23, 2008
8	Allotment of two Trading Codes	Circular No. NSE/INSP/2007/63, Download No. NSE/INSP/9859 dated 4th December 2007
9	Execution of 'Demat Debit and Pledge Instruction' (DDPI) / Power of Attorney (POA) by clients	Download Ref. No: NSE/INSP/14646, Circular No. NSE/INSP/2010/97 dated 26th April, 2010 and SEBI Circular No. CIR/MRD/DMS/13/2010, dated April 23, 2010; Download Ref. No: NSE/INSP/15598, Circular No. NSE/INSP/2010/104 dated August 31, 2010 and SEBI Circular No. CIR/MRD/DMS/28/2010 dated August 31, 2010; SEBI Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/158 dated August 27, 2020, Download Ref No: NSE/INSP/45504, Circular Ref. No: 50/2020 dated August 27, 2020; SEBI Circular No. SEBI/HO/MIRSD/DoP/P/CIR/2022/4 dated April 04, 2022, Download Ref No: NSE/INSP/51901 dated April 05, 2022. SEBI Circular No. SEBI/HO/MIRSD/DoP/P/CIR/2022/91 June 30, 2022, Download Ref No: NSE/INSP/52827 dated June 30, 2022 SEBI Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/137 dated October 06, 2022, Download Ref No: NSE/INSP/53988 dated October 07, 2022; SEBI Circular No. SEBI/HO/MIRSD/DoP/P/CIR/2022/162 dated November 25, 2022, Exchange download Ref. No: NSE/INSP/54618 dated November 25, 2022, SEBI Circular Ref. No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024.
10	Trading Account of NRIs	Download Ref. No.: NSE/INSP/16615, Exchange Circular No. NSE/INSP/2010/110 dated December 24, 2010
11	Nomination for Eligible Trading Accounts	SEBI Circular Ref. No. SEBI/HO/MIRSD/RTAMB/CIR/P/2021/601 dated July 23, 2021, Download Ref. No.: NSE/INSP/49042, Circular Ref. No.: 37/2021 dated July 23, 2021 SEBI Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/23 dated February 24, 2022, Download Ref. No.: NSE/INSP/51438 dated February 24, 2022, SEBI Circular ref no: SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/42 dated March

S. No	SUBJECT	CIRCULAR REFERENCES
		27, 2023, SEBI Circular ref no: SEBI/HO/OIAE/OIAE_IAD-3/P/ON/2025/01650 dated January 10, 2025 and SEBI Circular ref no: SEBI/HO/OIAE/OIAE_IAD-3/P/ON/2025/0027 dated February 28, 2025
12	Guidelines on Identification of Beneficial Ownership	SEBI Circular No. CIR/MIRSD/2/2013 dated January 24, 2013; Download Ref. No.: NSE/INSP/22614; Circular Ref. No.: 154/2013 dated January 24, 2013 and SEBI/HO/AFD/AFD-PoD-2/P/CIR/2024/70 dated May 30, 2024.
13	Client Registration documents in vernacular language	SEBI Circular CIR/MIRSD/16/2011 dated August 22, 2011 ;Download Ref no. NSE/INSP/32759 dated July 08, 2016
14	Simplification of Account Opening kit	SEBI Circular CIR/MIRSD/16/2011 dated August 22, 2011 SEBI Circular CIR/MIRD/64/2016 dated July 12, 2016 ; NSE download Ref. No.: NSE/INSP/32807 dated July 14, 2016; SEBI Circular No. HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024.
15	Treatment of Inactive Trading account	Exchange circulars download ref. no. NSE/INSP/43488 dated February 10, 2020, NSE/INSP/46506 dated December 01, 2020, NSE/INSP/ 49743 dated September 27, 2021 and NSE/INSP/64718 dated October 25, 2024
16	Guidelines for online closure of trading accounts	NSE/INSP/49055 dated Jul 26, 2021 NSE/INSP/49323 dated August 17, 2021; NSE/INSP/63829 dated September 09, 2024.
17	Operationalization of Central KYC Records Registry CKYCR and uploading of clients' KYC details	SEBI Circular CIR/MIRSD/ 66 /2016 dated July 21, 2016 Download Ref. No. NSE/INSP/32860 dated July 22, 2016 SEBI Circular CIR/MIRSD/120/2016 dated November 10, 2016 Download Ref. No. NSE/INSP/33610 dated November 11, 2016 SEBI Circular SEBI/HO/MIRSD/DOP/CIR/P/2021/31 dated March 10, 2021 Download Ref No: NSE/INSP/47857, Circular Ref. No: 14/2021 dated March 31, 2021
18	Know Your Client requirements for Foreign Portfolio Investors (FPIs)	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 [Last amended on February 10, 2025] SEBI Circular no. SEBI/HO/AFD-2/CIR/P/2022/175 dated May 30, 2024.
19	Amendment to the Guidelines on Anti-Money Laundering (AML) Standards and Combating the	SEBI Circular no. SEBI/HO/MIRSD/SEC-FATF/P/CIR/2023/0170 dated October 13, 2023.

S. No	SUBJECT	CIRCULAR REFERENCES
	Financing of Terrorism (CFT)	
20	Trading Preferences by Clients	Download Ref. No: SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/95 dated June 21, 2023; SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023; Exchange Circular No. NSE/INSP/57242 dated June 22, 2023; NSE/INSP/57441 dated July 05, 2023; Exchange Circular No. NSE/INSP/57842 dated August 03, 2023; and SEBI Circular Ref. No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024
21	Most Important Terms and Conditions	Download Ref. No.: SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/180 dated November 13, 2023 Exchange Circular No. NSE/INSP/59367 dated November 15, 2023; SEBI Circular No. HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024; and Exchange Circular No. NSE/INSP/60147 dated January 05, 2024.

ITEM 2: CONTRACT NOTES**2.1 Issue of contract notes**

- As per regulation 3.5.3 of NSEIL, every Stock Broker / Trading Member shall issue a contract note to its clients for trades executed in such format as may be prescribed by the Exchange from time to time with all relevant details as required therein to be filled in and issued in such manner and within such time as prescribed by the Exchange.
- It is hereby clarified that if a Trading Member is unable to provide all the trades of a client in a single contract note, it may, if it so desires, use continuation sheets subject, however, to the condition that the main sheet shall be in the prescribed contract note format and the continuation sheets shall contain the following particulars:
 - i) Name of the Trading Member to be pre-printed
 - ii) SEBI Registration number of the Trading Member to be pre-printed
 - iii) Name of the client
 - iv) Trading Code and Unique Client Code of the client
 - v) Contract Note number
 - vi) Settlement number
 - vii) Signature of authorised signatory to be signed by the same signatory who signed the main sheet in the prescribed format
 - viii) Page number starting from the main sheet in the prescribed format
 - ix) All the details mentioned in the box given in the contract note format namely Order number, Trade number, Trade time, Security/ Contract description, Quantity, Kind of security, Purchase / Sale rate, Brokerage, Net rate and Amount for the securities bought / sold
- Stationery control number of the continuation sheets shall be serially pre-printed for stock control purpose and the trading members shall maintain a control record for the printing and usage of the stationery.
- It is also clarified that a Trading Member may, if it so desires, issue contract note cum bills without diluting the form prescribed for contract note.
- As per Regulations, the contract notes shall be numbered with unique running serial number commencing from one which shall be reset only at the beginning of every financial year. It is hereby clarified that financial year for the purpose of resetting the serial number of contract note is April to March.

- With reference to the Exchange Circular dated May 25, 2021 ref no NSE/CML/48394 the contract notes pertaining to the Rights Entitlements should include the below disclaimer: “purchase of REs only gives them the right to participate in the ongoing Rights Issue of the concerned company by making an application with requisite application money or renounce the REs before the issue closes. REs which are neither subscribed by making an application with requisite application money nor renounced, on or before the Issue Closing Date shall lapse and shall be extinguished after the Issue Closing Date”
- Where the securities are liquidated by the Member, the contract note issued for such margin call related transactions shall carry an asterisk or identifier that the transaction has arisen out of margin call.

Contract Notes should not be generated and issued by the AP. However, AP may provide administrative assistance in procurement of documents from the Stock Broker / Trading Member, after maintaining proper records of the same. It has been decided that while a Stock Broker / Trading Member may use the brand name / logo of its group companies, it must display more prominently its name as registered with SEBI, its own logo, if any, its registration number, and its complete address with telephone numbers, the name of the compliance officer, his telephone number and e-mail address in contract notes issued to the clients.

2.1.1 Signature on Physical Contract Note

As per Exchange Circular Reference No. NSE/INSP/32524 dated June 06, 2016, exchange has issued clarifications regarding signature on physical contract notes, with the following details:

- In order to reduce operational difficulties faced by the Stock Brokers / Trading Members, exchange has clarified that Stock Brokers / Trading Members may affix facsimile signatures / scanned signature on physical contract notes issued to their clients after ensuring that adequate controls and procedures are put in place regarding the use of facsimile/scanned signatures.
- Stock Brokers / Trading Members opting to use this facility should have a well-documented policy regarding its use which shall be implemented after appropriate approval from board in case of corporates, partners in case of partnership firms or proprietor in case of sole proprietorship firm as the case may be. The policy should clearly specify the procedure to be adopted for its use, the controls in place and procedure to be followed in case of any change of authorized signatories. The authorized signatories should necessarily be approved by the Board/Partners/proprietor for use on the contract notes. In case, an authorized signatory whose signature was used for the above purpose, no longer holds that position with the Stock Broker / Trading Member, then the use of his signature shall not be permitted on the contract notes under any circumstances beyond the date from which the person ceases to hold the office.

- Any contract note issued with facsimile/scanned signature shall be deemed to have been signed by the authorized signatory notwithstanding any misuse of facsimile/scanned signature and the ultimate responsibility to prove its genuineness shall rest with the Stock Broker / Trading Member.

2.2 Electronic issuance of contract notes

Authorization for Electronic Contract Notes

In accordance with the provisions of paragraph 22.2 and 51 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, the stockbroker may issue electronic contract notes (“ECN”) if specifically authorized by the client subject to the following conditions:

- a) The authorization shall be in writing and be signed by the client only and not by any authorised person on his behalf or holder of the Power of Attorney.
- b) The email id shall not be created by the Stock Broker / Trading Member. The client desirous of receiving ECN shall create/provide his own email id to the Stock Broker / Trading Member
- c) The authorization shall have a clause to the effect that any change in the email-id shall be communicated by the client through a physical letter to the Stock Broker / Trading Member. In respect of internet clients, the request for change of email id may be made through the secured access by way of client specific user id and password.
- d) In accordance with paragraph 51.1 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, Stock Brokers / Trading Members can issue contract notes authenticated by means of digital signatures provided that the Stock Broker / Trading Member has obtained digital signature certificate from Certifying Authority under the Information Technology Act, 2000.

2.2.1 Issuing ECNs when specifically consented

In accordance with Exchange Circular Reference No. NSE/INSP/6623 dated September 09, 2005, the digitally signed ECNs may be sent only to those clients who have opted to receive the contract notes in an electronic form, either in the Stock Broker / Trading Member — Client agreement / Tripartite agreement or by a separate letter. The mode of confirmation shall be as per the agreement entered into with the clients.

2.2.2 Where to send ECNs

In accordance with Exchange Circular Reference No. NSE/INSP/6623 dated September 09, 2005, the usual mode of delivery of ECNs to the clients shall be through e-mail. For this purpose, the client shall provide an appropriate e-mail account to the Stock Broker / Trading Member which shall be made available at all times for such receipts of ECNs.

2.2.3 Requirement of digital signature

In accordance with Exchange Circular Reference No. NSE/INSP/6623 dated September 09, 2005, all ECNs sent through the e-mail shall be digitally signed, encrypted, non-tamperable and shall comply with the provisions of the IT Act, 2000. In case the ECN is sent through e-mail as an attachment, the attached file shall also be secured with the digital signature, encrypted and non-tamperable.

2.2.4 Requirements for acknowledgement, proof of delivery, log report etc.**2.2.4.1 Acknowledgement**

In accordance with Exchange Circular Reference No. NSE/INSP/6623 dated September 09, 2005, the acknowledgement of the e-mail shall be retained by the Stock Broker / Trading Member in a soft and non-tamperable form.

2.2.4.2 Proof of delivery

- i. In accordance with Exchange Circular Reference No. NSE/INSP/6623 dated September 09, 2005, the proof of delivery i.e., log report generated by the system at the time of sending the contract notes shall be maintained by the Stock Broker / Trading Member for the specified period under the extant regulations of SEBI/stock exchanges and shall be made available during inspection, audit, etc.
- ii. The Stock Broker / Trading Member shall clearly communicate to the client in the agreement / client registration documents executed with the client for this purpose that non-receipt of bounced mail notification by the Stock Broker / Trading Member shall amount to delivery of the contract note at the e-mail ID of the client.

2.2.4.3 Log Report for rejected or bounced mails

- i. In accordance with Exchange Circular Reference No. NSE/INSP/6623 dated September 09, 2005, the log report shall also provide the details of the contract notes that are not delivered to the client/ e-mails rejected or bounced back.
- ii. Also, the Stock Broker / Trading Member shall take all possible steps including settings of mail servers, etc to ensure receipt of notification of bounced mails by the Stock Broker / Trading Member at all times within the stipulated time period under the extant regulations of SEBI/stock exchanges.

2.2.5 When to issue or send contract notes in Physical mode²

2.2.5.1 In the case of those clients who do not opt to receive the contract notes in the electronic form, the Stock Broker / Trading Member shall continue to send contract notes in the physical mode to such clients.

2.2.5.2 In the case of those clients who have opted for ECNs and the ECNs have not been delivered to the clients or has been rejected (bouncing of mails) by the e-mail ID of the clients, the Stock Broker / Trading Member shall send a contract note to the client in any of the following manner within the stipulated time under the extant regulations of SEBI/stock exchanges and maintain the proof of delivery of such contract notes:

- (i) A physical contract note; or
- (ii) An ECN through electronic instant messaging services provided following safeguards are ensured:
 - Stock Brokers/Trading Members shall send ECN through SMS / electronic instant messaging services only to the applications linked to the registered mobile number/ email ID of clients as uploaded by members on the Exchange portal/database.
 - ECN sent through SMS / electronic instant messaging services, shall be sent as an attachment and not as a link. The attached file may be secured with the digital signature, encrypted, non tamperable and password protected.
 - The messages sent through SMS / electronic instant messaging services not to be covered under the auto delete facility at the option of the members.
 - Stock Brokers/Trading Members shall ensure that all ECNs are sent from the same ID and appropriate logs (sent/delivered/seen/not delivered/blocked etc.) are maintained by the members regarding the same. In case of not delivered/blocked etc, member shall issue physical contract note.

2.2.6 General requirements**2.2.6.1 ECNs through website**

In accordance with Exchange Circular Reference No. NSE/INSP/6623 dated September 09, 2005, in addition to the e-mail communication of the ECNs in the manner stated above, in order to further strengthen the electronic communication

² Amended vide SEBI Master Circular for Stock Brokers dated August 09, 2024.

channel, the Stock Broker / Trading Member shall simultaneously publish the ECN on his designated website in a secured way and enable relevant access to the clients.

2.2.6.2 Access to the website

In accordance with Exchange Circular Reference No. NSE/INSP/6623 dated September 09, 2005, in order to enable clients to access the ECNs posted in the designated website in a secured way, the Stock Broker / Trading Member shall allot a unique username and password for the purpose, with an option to the client to access the same and save the contract note electronically or take a printout of the same.

2.2.6.3 Preservation/Archive of electronic documents

In accordance with Exchange Circular Reference No. NSE/INSP/6623 dated September 09, 2005, the Stock Broker / Trading Member shall retain/archive such electronic documents as per the extant rules/regulations/circulars/guidelines issued by SEBI/Stock Exchanges from time to time.

2.3 Format of Contract Notes

- i. In accordance with SEBI Circular Reference No. SEBI/HO/MRD2/DCAP/O/CIR/2021/628 dated September 07, 2021, regarding Introduction of T+1 rolling settlement on an optional basis, the format of Contract Notes has been revised vide Exchange Circular No. NSE/INSP/51772 dated May 25, 2022. Accordingly, Members opting to send “Contract Note Cum Tax Invoice” shall send the contract note in the format enclosed as **Exhibit 14** and Stock Brokers / Trading Members opting to send the Contract Note and the tax invoice separately shall send the contract note in the format enclosed as **Exhibit 15**.

1. The contract note should mandatorily be in the prescribed format.
2. Stock Brokers / Trading Members may opt to issue a single consolidated contract note or issue separate contract notes for different segments/Clearing Corporations as the case may be.
3. In case of Institutional clients, the practice of issuing contract notes through STP may be continued.

The following clarifications may be noted for issuance of the revised format of contract notes:-

- a. The contract note shall be printed and issued in a readable font. The same need not be on a pre-printed stationary.
- b. In case of multiple Exchange memberships, all SEBI registration numbers are required to be mentioned where consolidated contract notes are issued.

- c. Serial Number of the contract notes issued in the prescribed format shall commence from the first trade executed on the date of initial issue in the new format.
- d. Where Back-office trading code of a client is different from the UCC of such client that is uploaded to the Exchange, such Exchange and Segment wise back office code shall be separately mentioned in the table provided.
- e. In case a client has different Exchange wise & segment wise UCC, the same shall be mentioned by inserting an additional row in the table for capturing the trading and back office code.
- f. Exchange-wise rows for Brought Forward Position in case of Derivatives segment shall be optional and in such case the document shall be called Contract note and not Contract Note cum Bill.
- g. Where column for Brought Forward Position are not shown, column for “closing rate per unit only for derivatives” shall be removed from the common contract note format.
- h. Securities Transaction Tax STT and GST* amounts shall be mentioned as a consolidated figure on the Contract note. Stock Brokers / Trading Members may also provide details of STT trade wise in the contract notes. However details of trade wise STT shall be provided by the Stock Brokers / Trading Members on an annual or periodic basis to clients on their specific request if the same is not provided in the contract note along with the contract note.

**In case of GST, the tax shall appropriately be displayed as CGST, SGST, IGST as the case may be.*
- i. In case of any square off trade/s executed by the Stock Broker / Trading Member, pursuant to margin calls being made to the client and the client failing to comply with them, the remark column in the contract note shall indicate the same against such trades.

Further, Exchange vide Circular Reference No. NSE/INSP/61999 dated May 13, 2024 has issued revised format of Contract Note which is effective from July 1, 2025 (Trade Date). The revised format of the contract note is enclosed as **Exhibit 16**. Exchange vide Circular Reference No. NSE/INSP/63859 dated September 10, 2024, provided Frequently Asked Questions (FAQs) on Revision in Contract Note Format, enclosed as **Exhibit 17**.

ii. **Inclusion of ISIN details in Bills/ Contract Notes/ Statements issued by the Stockbrokers to their clients**

SEBI, vide its letter no. MIRSD/-4/AS/NS/6127/2015 dated February 26, 2015, has directed that “ISIN” details of securities traded in the Cash Segment shall be included in Bills/Contract Notes/Statements issued by the Stock Brokers to their clients.

iii. **Format of Contract Note for Tri-party Repo trades on TRM Platform**

Exchange has issued Circular Reference No: NSE/DS/56010 dated March 17, 2023, on “Tri-party Repo product of AMC Repo Clearing Limited (“ARCL”) on TRM Platform”, wherein Exchange has agreed to offer the tri-party repo product of ARCL for trading on Exchange’s TRM Platform.

In view of the above, Exchange vide Circular Reference No. NSE/INSP/57417 dated July 03, 2023, has issued the format of the Contract Note for Tri-party Repo trades on TRM Platform in Debt segment of the Exchange. Format of the contract note is enclosed as **Exhibit 18**.

2.4 Statement of Securities Transaction Tax (“STT”)

Stock Brokers / Trading Members are informed that, “Statement of Securities Transaction Tax” containing the details as per Annexure – II to Circular Reference No. NSE/CMO/0135/2004 and Annexure – III to Circular Reference No. NSE/F&O/0062/2004 both dated September 24, 2004, may be issued on annual financial year basis, unless required by the clients otherwise, within one month from the close of the financial year. However, Stock Brokers / Trading Members shall continue to give total STT amount on the contract notes.

2.5 Issuance of Contract Notes through STP in the Equity Derivatives Segment

SEBI vide Circular Reference No. SEBI/DNPD/143542/Cir-43/08 dated November 06, 2008, has extended the facility of issuance of ECNs as a legal document using Straight Through Processing (STP) to the equity derivatives segment and has provided a model contract note in electronic form IFN 515 messaging format and confirmation of electronic contract note IFN 598 messaging format. In consultation with SEBI, it has been decided that stamp duty would be incorporated as a separate field in the STP system with effect from January 01, 2021. Accordingly, appropriate changes to the messaging standards have been prescribed vide Exchange Circular Reference No. NSE/INSP/45900 dated September 30, 2020. The format of the STP has been enclosed as **Exhibit 19**.

Further, the Exchange vide Circular Reference No. NSE/INSP/64389 dated October 4, 2024, issued the revised format of the STP IFN 515 applicable with effect from April 30, 2025 (Trade Date). The revised format of the STP is enclosed as **Exhibit 20**.

2.6 Clarification on Brokerage, Statutory Levies and Regulatory Levies & Charges

- i. In accordance with Exchange Circular Reference No. NSE/INSP/27155 dated July 16, 2014, the following levies/ brokerage can only be charged to client in the contract note:
 - a. **Statutory levies:** These are charges levied by Central/ State governments e.g. GST, Security Transaction Tax (STT), Stamp Duty, etc. and may be recovered from client only at actuals paid/ Payable.
 - b. **Regulatory levies/charges:** These are charges levied by SEBI / Exchanges / Clearing Corporations e.g. SEBI turnover fees, Exchange transaction charges, etc. If such charges are separately recovered from client, they may be specified in contract notes or may be given under the head “Other levies, if any”. The above charges may be recovered from client only at actuals paid/ Payable.
 - c. **Brokerage** can be charged as may be mutually agreed between Stock Broker / Trading Member & client subject to maximum permissible by the Exchange and brokerage rates should be mentioned in a tariff sheet.
- ii. **Brokerage can be charged as under**

Capital Market Segment-

As per Exchange Circulars Reference No. NSE/CMT/001 dated October 28, 1994 and NSE/INSP/3685 dated October 17, 2002, the maximum brokerage chargeable by a Stock Broker / Trading Member in relation to trades effected in the securities admitted to dealings on the CM segment of the Exchange shall be 2.5 % of the contract price exclusive of statutory levies.

Where the sale / purchase value of a share is Rs.10/- or less, a maximum brokerage of 25 paise per share may be collected.

Futures contracts –

As per Regulation 3.7.2 of the Regulations for the F&O segment of the Exchange and Circular Reference No. NSE/FOTRD/001 dated June 08, 2000 and Currency Derivative Circular Reference No. NSE/INSP/11184 dated August 26, 2008, the maximum brokerage chargeable by a Stock Broker / Trading Member in relation to trades executed on the Exchange shall be 2.5% of the contract value exclusive of statutory levies

Option contracts –

As per Circular Reference No. NSE/F&O/0098/2005 dated March 30, 2005, and Circular Reference No. NSE/INSP/8338 dated January 05, 2007, and Circular Reference No. NSE/INSP/53297 dated August 12, 2022, the Stock Broker / Trading Member shall charge brokerage for option contracts on the premium amount at which

the option contract was bought or sold and not on the strike price of the option contract. It is hereby clarified that brokerage on options contracts shall not exceed 2.5% of the premium amount or Rs.100/- per lot whichever is higher.

Aforesaid brokerage rates are applicable on Option contracts in Futures & Options segment as well as Currency Derivatives Segment and accordingly, the brokerage on options contracts in the Futures & Options segment or Currency Derivatives segment shall not exceed 2.5% of the premium amount or Rs.100/- (per lot) whichever is higher.

- iii. As per Circular Reference No. NSE/INSP/2006/44 dated March 30, 2006, contract description' shall have the details viz. instrument type, underlying symbol, expiry date, strike price and option type in case of Options Contract and in case of Futures Contract, instrument name underlying symbol and expiry date in the manner as provided by the Exchange.

i.e.

- Contract description for a typical futures contract - FUTIDX NIFTY 30MAR13
- Contract description for a typical options contract- OPTSTKHINDLEVER 30MAR13 250 CE

Pre-paid Schemes

Exchange vide Circular Reference No. NSE/INSP/26252 dated March 24, 2014, has clarified that;

- The terms & conditions of schemes relating to advance collection of funds towards brokerage and other allied services must be properly documented and positive confirmation of the clients for availing such services/schemes be obtained.
- Where the funds are collected in advance under the pre-paid schemes, the Stock Broker / Trading Member must ensure that the brokerage charged should not exceed the amount specified under the exchange by-laws.
- Complaints received in this respect will be viewed very seriously and the Stock Broker / Trading Member will be liable for disciplinary action.

- iv. **Display of Brokerage, Statutory & Regulatory Levies**

In accordance with Exchange Circular Reference No. NSE/INSP/55031 dated December 28, 2022, in order to bring more transparency to investors on the brokerage and other charges being levied by the Stock Brokers / Trading Members , Exchanges in consultation with SEBI have advised Stock Brokers / Trading Members that the

details of brokerage/charges to be levied for each order shall be prominently displayed to the investor on the “Order placement window/screen” on their Internet Based Trading (IBT) / Wireless Trading (WT) applications prior to placement of order. Stock Brokers / Trading Members have been advised to take note of the same and implement the provisions of the circular by January 31, 2023.

2.7 Compliance with fit & proper requirement by Members in case of trading in securities of Stock Exchanges³

As per Regulation 19(1) of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (“**SECC Regulations**”), no person shall, directly or indirectly, acquire or hold equity shares of a recognised Stock Exchange or recognised Clearing Corporation unless he is a fit and proper person in terms of Regulation 19 and 20 of the said SECC Regulations.

The SECC Master Circular stipulates procedures for ensuring compliance with the SECC Regulations. Paragraph 2.4.10.4 of the SECC Master Circular also stipulates that in the post listing scenario, a reference of the applicable Regulation with regard to fit and proper (by mentioning the URL/Weblink of Regulation 19 and 20 of the SECC Regulations, 2018) shall be made part of the contract note.

In view of the same, Stock Brokers / Trading Members are required to ensure that their clients who are executing transactions in securities of the listed Exchanges through them are fit & proper as stipulated by the above applicable regulations and a reference of the applicable Regulation with regard to fit and proper (by mentioning the URL/weblink of Regulation 19 and 20 of the SECC Regulations, 2018) is made part of the contract notes issued to such clients.

2.8 Compliance with fit & proper requirement by Members in case of trading in securities of depositories⁴

As specified under Regulation 22 and 23 of SEBI (Depositories and Participants) Regulations, 2018, Stock Brokers / Trading Members are required to ensure that their clients who are executing transactions in the securities issued by depositories through them are fit & proper. Accordingly, in the post listing scenario, Stock Brokers / Trading Members shall ensure that a reference of the applicable Regulation with regard to fit and proper (by mentioning the URL/weblink of Regulations 22 and 23 of SEBI (Depositories and Participants Regulations, 2018) is made part of the contract notes issued to such clients.

³ As amended vide SEBI Circular Reference No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/25 dated April 24, 2024.

⁴ As amended vide SEBI Circular Reference No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/139 dated October 14, 2024

REGULATORY REQUIREMENTS/ REFERENCES

1	Issuance of contract notes	SEBI Circular No. Cir/MIRSD/9/2010 dated November 4, 2010, Exchange Download Ref. No: NSE/INSP/16242, Exchange Circular No. NSE/INSP/2010/107 dated 8th November 2010 and Circular No. NSEIL/ INSP/ 2002/14, Download Reference No. NSE/ INSP/3685 Date: 17th October, 2002; SEBI Circular No. CIR/MRD/DSA/24/2010 dated August 11, 2010 and exchange Circular No. Circular No. NSEIL/ARBN/2010/003, Download No. NSE/ARBN/2010/15609 dated August 31, 2010
2	Electronic issuance of contract notes	SEBI Circular MIRSD/ SE /Cir-19/2009 dated 3rd December, 2009, Exchange Download Ref. No: NSE/INSP/13606, Exchange Circular No. NSE/INSP/2009/85 dated 3rd December, 2009, Circular Ref. No.: NSE/INSP/32524 dated June 06, 2016, Download Ref No: NSE/INSP/52604 dated June 10, 2022
3	Format of Contract Notes	Exchange Circular Ref. Nos. NSE/INSP/61999 dated May 13, 2024, NSE/INSP/63289 dated August 06, 2024, NSE/INSP/63859 dated September 10, 2024, NSE/INSP/64389 dated October 4, 2024 and NSE/INSP/64929 dated November 06, 2024.
4	Statement of Securities Transaction Tax STT	Circular no. NSE/INSP/2006/55, Download Ref. No.: NSE/INSP/8108 Dated: 16th November 2006
5	Issuance of Contract Notes through STP in the Equity Derivatives Segment	SEBI Circular No. SEBI/DNPD/143542 /Cir-43/08 dated 6 th November 2008; Circular No. NSE/INSP/2008/75, download reference no. NSE/INSP/11611 dated November 7, 2008, Download Ref No: NSE/INSP/45900, Circular Ref. No: 60/2020 dated September 30, 2020, Download Ref No: NSE/INSP/52257 dated May 10, 2022, Download Ref No. NSE/INSP/64389 dated October 04, 2024
6	Clarification on Brokerage, Statutory Levies and Regulatory Levies & Charges	Circular No. NSEIL/ INSP/ 2002/14, Download Reference No. NSE/ INSP/3685 Date: 17th October, 2002; Circular no. NSE/INSP/2006/56, download reference no. NSE/INSP/8338 dated 5th January 2007; Download Ref. No.: NSE/INSP/23739; Circular Ref. No.: 162/2013 dated June 24, 2013 Download Ref. No.: NSE/INSP/29701; Download Ref. No.: NSE/INSP/ NSE/INSP/26252; Circular Ref No.:180/2014 dated March 24, 2014; Circular Ref No.: 234/ 2015 dated May 13, 2015. Download Ref. No.: NSE/INSP/53297 dated August 12, 2022, Download Ref. No.: NSE/INSP/53939 dated October 03, 2022, Download Ref. No.: NSE/INSP/54746 dated December 07, 2022, Download Ref. No.: NSE/INSP/55031.

7	Compliance with fit & proper requirement by Members in case of trading in securities of Stock Exchanges	SEBI/HO/MRD-PoD2/CIR/P/2024/00181 dated December 30, 2024, Regulation 22 and 23 of SEBI (Depositories and Participants) Regulations, 2018 and Exchange Circular Ref. No.: NSE/INSP/61776 dated April 26, 2024.
8	Compliance with fit & proper requirement by Members in case of trading in securities of Depositories	Download Ref. No.: NSE/INSP/35116 dated June 14, 2017 SEBI (Depositories and Participants) Regulations, 2018

ITEM 3: MARGIN COLLECTION FROM CLIENTS**3.1 Guidelines/ Clarification and FAQ on margin collection and reporting by Members****a. Collection of upfront margin and Mark-to-Market (“MTM”) losses from clients**

Stock Brokers / Trading Members shall collect the margins from its respective client, in any of the following forms, provided they are free & unencumbered, after considering their risk management policy and liquidity aspects:

1. Consolidated funds balance across all segments and Exchanges (including Commodities)⁵.
2. Bank guarantee fulfilling the requirements as stipulated in the Upstreaming Guidelines and received towards margin for commodity segment, issued by any approved bank and discharged in favor of the Stock Broker / Trading Member.
3. Securities (including mutual fund, Government securities and Treasury bills) in dematerialized form actively traded on the National Exchanges, not declared as illiquid securities by any of such Exchanges, with appropriate haircut. (List of illiquid securities are declared on a regular basis by the Exchanges). Further, , for the purpose of client Margin collection and reporting, effective from June 30, 2025, the Stock Broker / Trading Member shall compute the value of securities as per the closing rate on T-1 day as reduced by the appropriate haircut at a rate not less than the VAR margin rate of the security at the beginning of T Day.. Additionally, the Stock Broker / Trading Member shall, inter alia, accept collateral from clients in the form of securities, only by way of ‘margin pledge’, created in the Depository system (in accordance with the paragraph 41 of the SEBI Master Circular for Stock Brokers dated August 09, 2024).
4. In respect of sale of shares by a client for which early pay-in (EPI) request via Block Mechanism has been accepted by depositories, the same may be considered as margin collected towards peak margin for the said sale transaction. Further, in respect of sale of shares by a client for which early pay-in (EPI) request via Block Mechanism has been accepted by depositories and credit entry is posted of the sale value of the shares in the ledger account of the client, EPI value may be considered as margin collected towards subsequent margin requirement of the client. The sale value up to 100% of such securities

⁵ Free and Unencumbered funds where funds are available in the bank account of client and specifically blocked by a Stock Broker / Trading Member on T day and actually moved to client bank account maintained by the Stock Broker / Trading Member by T/T+1 day.

(EPI value) shall be available as Margin for other positions across all the segments. Further, in view of the aforesaid change, Stock Brokers / Trading Members have also been advised to report value of EPI accordingly in column numbered 20 "Credit entry in ledger in lieu of EPI for clients / TM Pro" of the daily submission of segregation and monitoring of collateral at client level to Clearing Corporation.

5. Cheques received /recorded in the books of Stock Broker / Trading Member on or before T Day and deposited by Stock Broker / Trading Member by T+1 day (excluding bank holiday, if any), can be considered towards collection/reporting of upfront margins, provided the same is cleared within T+5 working days. Cheques received /recorded in the books of Stock Broker / Trading Member on or before T+1 day and deposited by Stock Broker / Trading Member by T+2 day (excluding bank holiday, if any), can be considered towards collection/reporting of margin on consolidated crystallized obligation (in Derivatives Segment), provided the same is cleared within T+5 working days. Cheques received / recorded in the books of Stock Broker / Trading Member on or before T+2 day and deposited by Stock Broker / Trading Member by T+3 day (excluding bank holiday, if any), can be considered towards collection/reporting of MTM losses (in Cash and Commodity Segment), provided the same is cleared within T+5 working days.

For purpose of reporting margin collected by the Stock Brokers / Trading Members , it is further clarified that:

Stock Brokers / Trading Members should ensure that only cheques which are cleared should be considered and cheques dishonoured or not cleared up to T+5 working days should not be reported as margin / margin on consolidated crystallized obligation/ MTM collected. If subsequent to the margin reporting by the Stock Broker / Trading Member, the cheque deposited by the Stock Broker / Trading Member is dishonoured or not cleared within T+5 working days, then revised margin file shall be uploaded after factoring into the effect of such dishonoured or non-cleared cheques, with incremental batch number within the above mentioned five days.

In consultation with SEBI and other Exchanges it has been clarified vide Exchange Circular Reference No. NSE/INSP/43493 dated February 11, 2020, that with effect from April 01, 2020 margin available with related entities (as specified in the question no. 14 of Exchange Circular Reference No. NSE/INSP/43069 dated December 31, 2019) of the client cannot be considered as margin of the respective client. All margins should necessarily be collected from the respective client only.

Further, Exchange vide Circular Reference No. NSE/INSP/61507 dated April 05, 2024 has clarified that unpaid securities pledged in favor of CUSPA account of Stock Broker / Trading Member (reduced by the appropriate haircut subject to minimum 20%) may be considered for

collection and reporting of margin by Stock Broker / Trading Member to the extent of debit balances in client ledger arising out of buying obligation of such securities.

The consolidated updated FAQ on Margin Collection & Reporting is enclosed as **Exhibit 21**.

b. Peak Margin Collection and Reporting

Exchange has issued various Guidelines/clarifications on Peak Margin collection and reporting.

The Stock Broker / Trading Member shall have to report the margin collected from each client, as at EOD and peak margin collected during the day, in the following manner:

- a) EOD margin obligation of the client shall be compared with the respective client margin available with the TM/CM at EOD.

AND

- b) Peak margin obligation of the client, across the snapshots, shall be compared with respective client peak margin available with the TM/CM during the day.

Higher of the shortfall in collection of the margin obligations at (a) and (b) above, shall be considered for levying of penalty as per the extant framework.

The consolidated updated FAQ on Margin Collection & Reporting is enclosed as **Exhibit 21**.

c. False reporting of Margins Non-compliance:

Margin amount reported to the CC/Exchange as collected, however margins not collected in any method prescribed above, if considered by the Stock Broker / Trading Member as margins collected would be construed as false reporting to the Exchange/CC.

d. Penalty structure in case of false margin reporting:

In case, false reporting of margins is observed, the penalty structure for disciplinary action as stipulated in Exchange Circular Reference No. NSE/INSP/42919 dated December 16, 2019 and Circular Reference No. NSE/INSP/45533 dated August 31, 2020.

e. Penalty in case of short reporting of margin shall not to be passed on to the clients:

Stock Broker / Trading Member shall not pass on the penalty with respect to short collection of upfront margins to clients under any circumstances. In case of failure (requirement not met by the client) on part of the client resulting which penalty is levied by the Clearing Corporation on the Stock Broker / Trading Member for short reporting of margins other than “upfront margins” such as consolidated crystallized obligation, Delivery margins, other margins (Mark-to-market & additional margins), Stock Broker / Trading Member may pass on the actual penalty to the client, provided he has evidence to demonstrate the failure on part of the client. Wherever penalty for short reporting of margins other than “upfront margins” is being passed on to the client relevant supporting documents for the same should be provided to the client.

Exchange vide Circular Reference No. NSE/INSP/64315 dated October 01, 2024, has informed the Stock Brokers / Trading Members that penalty levied by clearing corporations of short/non-collection of upfront margins may be passed on to client if short/non collection of upfront margin is on account of following reasons attributable to client:

- (a) Cheque issued by client to Stock Broker / Trading Member is dishonoured
- (b) Increase in margins on account of change in hedge position by client/ expiry of some leg(s) of the hedge positions of the clients

However with respect to (b) mentioned above, Stock Brokers / Trading Members are requested to note that penalty can be passed only if the Stock Broker / Trading Member in its risk management policy, has informed their clients of potential situations resulting in a hedge break / loss of cross margin benefits like square off by the clients / expiry of some leg(s) of the hedge positions of the clients, leading to higher margin obligations on the open position(s).

The provisions of aforesaid circular are applicable for aforesaid penalty levied by clearing corporations on or after November 01, 2024, and accordingly, Stock Brokers / Trading Members have been advised to inform their clients of aforesaid change in their risk management policy at least 7 days in advance from the date of applicability of this circular or date of aforesaid penalty levied by clearing corporation whichever is later. Further, wherever penalty for short reporting of upfront margin in cases mentioned above is being passed on to the client, relevant supporting documents for the same should be provided to the client and audit trail should be maintained.

Exchange vide Circular Reference No. NSE/INSP/52711 dated June 23, 2022 and Circular Reference No. NSE/INSP/54080 dated October 14, 2022 prescribed that, Stock Brokers / Trading Members shall submit an undertaking, digitally signed by the proprietor or partner or the designated director of the Stock Broker / Trading Member, to Exchange on half yearly basis (i.e. April-September and October-March) confirming that penalty levied by Clearing Corporations on account of “short/non-collection of upfront margins from clients” has not been passed on to respective clients under any circumstances (the undertaking shall hereinafter be referred to as “**Upfront Margins**”).

Undertaking”). Further Stock Brokers / Trading Members are requested to note that submission of said undertaking shall be made part of periodic internal audit report and henceforth same shall be provided by Stock Broker / Trading Member for the applicable period along with internal audit report of said periods to Exchange. The format of said undertaking is enclosed as **Exhibit 22**.

3.2 Daily Margin Statement

A format of daily margin statement across all the segments which stipulates minimum information to be provided to clients is enclosed as **Exhibit 23**.

3.3 Acceptance of Collateral from clients only by way of “Margin Pledge”

TM / CM shall, inter alia, accept collateral from clients in the form of securities, only by way of ‘margin pledge’, created in the Depository system in accordance with Section 12 of the Depositories Act, 1996 read with Regulation 79 of the SEBI (Depositories and Participants) Regulations, 2018 and the relevant bye laws of the Depositories. Section 12 of the Depositories Act, 1996 read with Regulation 79 of the SEBI (Depositories and Participants) Regulations, 2018 and the relevant bye laws of the Depositories clearly enumerate the manner of creating pledge of the dematerialised securities. Any procedure followed other than as specified under the aforesaid provisions of law for creating pledge of the dematerialised securities is prohibited. It is clarified that an off-market transfer of securities leads to change in ownership and shall not be treated as pledge. Transfer of securities to the demat account of the TM / CM for margin purposes (i.e. title transfer collateral arrangements) has been prohibited. In case, a client has given a power of attorney in favour of a TM / CM, such holding of power of attorney shall not be considered as equivalent to the collection of margin by the TM / CM in respect of securities held in the demat account of the client. Depositories have provided a separate pledge type viz. ‘margin pledge’, for pledging client’s securities as margin to the TM / CM. The TM / CM shall have a separate demat account for accepting such margin pledge, which is tagged as ‘Client Securities Margin Pledge Account’.

For the purpose of providing collateral in form of securities as margin, a client shall pledge securities with TM, and TM shall re-pledge the same with CM, and CM in turn shall re-pledge the same to Clearing Corporation (CC). The complete trail of such re-pledge shall be reflected in the de-mat account of the pledgor. The TM shall re-pledge securities to the CM’s ‘Client Securities Margin Pledge Account’ only from the TM’s ‘Client Securities Margin Pledge Account’. The CM shall create a repledge of securities on the approved list to CC only out of ‘Client Securities Margin Pledge Account’. In this context, re-pledge would mean endorsement of pledge by TM / CM in favour of CM/CC, as per procedure laid down by the Depositories. The TM and CM shall ensure that the client’s securities repledged to the CC shall be available to give exposure limit to that client only. Dispute, if any, between the client, TM / CM with respect to pledge, re-pledge, invocation and release of pledge shall be settled inter-se amongst client and TM / CM through arbitration as per the bye-laws of the Depository. CC and Depositories shall not be held liable for the same. Securities that are not on the approved list of a CC may be pledged in favour of the TM / CM. Each TM / CM may have their own list of acceptable securities that may be accepted as collateral from client.

Funded stocks held by the TM / CM under the margin trading facility shall be held by the TM / CM only by way of pledge. For this purpose, the TM / CM shall have a separate demat account tagged 'Client Securities under Margin Funding Account' in which only funded stocks in respect of margin funding shall be kept/ transferred, and no other transactions shall be permitted. The securities lying in 'Client Securities under Margin Funding Account' shall not be available for pledge with any other Bank/ NBFC. The TM / CM shall be required to close all existing demat accounts tagged as 'Client Margin/ Collateral', and transfer all client's securities lying in such accounts to the respective clients' demat accounts. Thereafter, TM / CM as indicated above, and in pool account(s), unpaid securities account, as provided by SEBI in paragraph 41.10 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 are prohibited from holding any client securities in any beneficial owner accounts of TM/CM, other than specifically tagged accounts.

Operational mechanism for margin pledge

INITIATION OF MARGIN PLEDGE

1. For the purpose of providing collateral in form of dematerialised securities as margin, a client shall initiate the margin pledge only in favour of the TM / CM's separate client securities margin account tagged as 'Client Securities Margin Pledge Account' through physical instruction or electronic instruction mechanism provided by the Depositories. Such instructions shall have details of client UCC, TM, CM and Default Segment.
2. In cases where a client has given a 'Demat Debit and Pledge Instruction' ("DDPI")/ Power of Attorney (the "POA") to the TM / CM, the TM / CM may be allowed to execute the margin pledge on behalf of such client to the demat account of the TM / CM tagged as 'Client Securities Margin Pledge Account'.
3. The 'pledge request form' shall have a clause regarding express consent by the client for re-pledge of the securities by the TM to CM and further by the CM to CC.
4. On receipt of the margin pledge instruction either from the client or by TM / CM as per the DDPI/ POA, DP of a client shall initiate a margin pledge in the client's account and the status of instruction will remain pending till confirmation is received from client / pledgor. The client will submit acceptance by way of One Time Password (the "OTP") confirmation on mobile number / registered e-mail id of the client or other verifiable mechanism. The Depositories shall develop a verifiable mechanism for confirmation of the pledge by the client.
5. In client account, margin pledge or re-pledge shall be reflected against each security, if it is pledged / re-pledged and in whose favour i.e. TM / CM / CC.
6. The TM can re-pledge only in favour of CM's demat account tagged as 'Client Securities Margin Pledge Account'. The CM shall create a re-pledge of securities on the approved list only to the CC out of 'Client Securities Margin Pledge Account'. While re-pledging the securities to the CC, CM/TM shall fully disclose the details of the client wise pledge to the CC/CM. CM would need to have visibility of client level position and client collateral so that

CM shall allow exposure and / or margin credit in respect of such securities to that client to whom such securities belong.

Release of Margin Pledge

In case of a client creating pledge of the securities in favour of the TM / CM against margin, the TM / CM may release the 'margin pledge' after their internal exposure and risk management checks. The request for release of pledge can be made by the client to its DP or to the TM / CM, who shall release the pledge in the Depository system.

For release of client securities given to TM/CM as margin pledge and which are re-pledged in favour of the CC, the CM shall make a request to the CC. The client through TM, or the TM on his own, may request the CM to make an application to the CC for the release of margin pledge. CC shall do margin utilisation check at the CM level before releasing the re-pledge of securities to the CM. The CC will release the re-pledged client securities to CM after blocking other available free collateral of CM. The CM /TM in turn after doing their risk management shall release the securities to TM / client, as the case may be.

Invocation of Margin Pledge

- a) In case of default by a client of TM where the clients securities are re- pledged with the CM/ CC, the invocation request shall be made by the TM to CM and CM in turn will make request to CC as per the procedure laid down by the Depositories under their bye-laws.
- b) In case of default by a client of TM who has pledged securities with TM, The TM shall invoke the pledge.
- c) In case of default by a client of TM whose securities are re-pledged by TM with CM, the invocation request shall be made by TM to the CM. The CM, after doing its internal exposure and risk management, shall release the re-pledged securities to the 'Client Securities Margin Pledge Account' of the TM. The TM in turn will invoke the pledge of client's securities. .
- d) In the event of default by a client of a TM, whose securities are re-pledged by TM with CM and CM in turn has re-pledged with CC, the TM shall make a request for invocation of pledge with CM and CM in turn shall file a request with CC to release the re-pledged securities for invocation. The CC shall block equivalent available free collateral provided by CM and shall release the re-pledged securities of that defaulting client of TM to CM in "Client Securities Margin Pledge Account" of CM. The CM shall do his own risk assessment of TM and would release re-pledged securities of the defaulting client of TM in "Client Securities Margin Pledge Account" of TM and TM shall invoke the pledge in Demat account of the client. In case of default by a client/ TM of CM whose securities are re-pledged with CC, CM shall file a request with CC for invocation of the pledged/ re-pledged securities of that client/TM. CC shall block the equivalent available free collateral provided by CM and shall release the re-pledged securities of that defaulting client/TM in "Client Securities Margin Pledge Account" of CM and the CM shall invoke the pledge in Demat account of the client/ TM. In case of default by TM or client of TM, CM shall be entitled to invoke pledged/ re-pledged securities of the TM. CM

shall also be entitled to invoke directly the repledged securities of client of TM having open position with CM to close out such positions. In case of default by the CM, CC shall invoke securities pledged by the CM. After exhausting the CM own collateral, CC may also invoke re-pledge securities of that client who has open position, and their re-pledged securities are blocked by CC to close out their open positions. The re-pledge securities of other clients who did not have any open position with CC, their securities shall not be available to CC for invocation to meet settlement default of the CM.

Framework for utilisation of client's pledged securities for exposure and margin

- a) At present, the margin requirement is computed in real time at client level by the CC and is aggregated at the level of CMs to arrive at the total margin requirement. The CC maintains and monitor the collateral at the level of CM. The CM is required to provide the collateral in various acceptable forms such as Cash, Bank Guarantee, Govt. Securities, pledge of acceptable shares, etc.
- b) The day-to-day real time risk management with respect to client / TM exposure, and the margin requirement shall continue to be the responsibility of the CM, and CC shall not monitor the client level exposure against the available client level collateral in real time.
- c) In order to provide exposure to CM and/or to the clients / TM of a CM, CC shall aggregate margin requirement at CM level that shall be compared against the available collateral in real time as aggregate of;
 - a. Cash and cash equivalent deposited by CM,
 - b. Own securities pledged by CM with CC,
 - c. CC requires minimum 50% of the collateral to be deposited in cash and cash equivalent, if the total securities pledged by CM with CC exceed the total cash and cash equivalent, the value of securities will be restricted to amount of cash and cash equivalent.
 - d. The TM's proprietary margin requirement will be treated as a client of CM and aggregated along with other clients.
- d) CM shall be allowed to re-pledge acceptable/approved client securities with the CC by furnishing the UCC wise client details. CC shall not allow any exposure to the CM on re-pledged securities of the client / TM. In case of a trade by a client / TM whose securities are re-pledged with CC, the CC shall first block the available collateral provided by CM as mentioned in point (c) above. However, at periodical interval (latest by end of day), CC shall release the blocked securities collateral of CM to the extent of re-pledged securities collateral of that client / TM available with the CC.
- e) In the event of default by a client of TM, the TM shall make good the default to CM. In the event of default by a client or TM on its proprietary position, the CM shall make good the default to CC. However, in the event of default by client/s leading to default of TM and also

the CM, the following process shall be applied by TM/CM/CC for invocation of pledged and re-pledged securities of client/TM/CM:

- i) In case of default by a client of TM/CM or default of TM leading to the default of CM, CC shall:
 - a. encash the available collateral including cash, cash equivalent collateral, CM's own pledged securities.
 - b. After encashing the available collateral of CM, also be entitled to directly invoke the re-pledged securities of client / TM who has any open position so as to close out the open positions of that client.
 - c. not be entitled to invoke re-pledged securities of those clients who did not have any open position to meet settlement obligation of the defaulting CM
- ii) In case of default by a client of TM or default of TM, CM Shall:
 - a. be entitled to liquidate available cash, cash equivalent collateral and TM's own pledged /or re-pledged securities with CM/ CC to meet settlement/margin obligations of defaulting TM or client(s) of that TM.
 - b. After encashing the available collateral of TM, be entitled to directly invoke repledged securities of the client of defaulting TM who has open position through CM so as to close out his position.
 - c. not be entitled to invoke re-pledged securities of those clients of defaulting TM who did not have any open position,
 - d. ensure that the client securities of TM/ CM re-pledged with the CC are not utilized for meeting the margin requirement/ settlement obligation of a TM's/CM's own proprietary position or margin requirement/ settlement obligation of any other client of TM / CM.

REGULATORY REQUIREMENTS/ REFERENCES:

1	Guidelines/ Clarification and FAQ on margin collection and reporting by members	Circular Ref. No.: 126/2011, download Ref. No.: NSE/INSP/19583 dated December 14, 2011; Download Ref. No.: NSE/INSP/24805; Circular Ref No.: 168/2013 dated October 23, 2013; SEBI/HO/MRD/DRMNP/CIR/P/ 2018/75 dated May 02, 2018;; Circular Ref. No:23/2019, Download Ref No: NSE/INSP/41790 dated August 02, 2019; Circular Ref. No:48/2019, Download Ref No: NSE/INSP/42919 dated December 06, 2019; Download Ref No: NSE/INSP/43493, Circular Ref. No: 07/2020 dated February 11, 2020, Circular Ref. No:10/2020, Download Ref No: NSE/INSP/43653 dated February 25, 2020; Circular Ref. No:34/2020, Download Ref No: NSE/INSP/44490 dated May 28, 2020; Circular Ref. No:35/2020, Download Ref No: NSE/INSP/44511 dated May 30, 2020; Download Ref No: NSE/INSP/45072, Circular Ref. No: 44/2020 dated July 21, 2020; Download Ref. No. NSE/INSP/45191, Circular Ref. No: 47/2020 dated July 31, 2020; Download Ref No: NSE/INSP/45533, Circular Ref. No: 51/2020 dated August 31, 2020; Download Ref No: NSE/INSP/45534, Circular Ref. No: 52/2020 dated August 31, 2020; Download Ref No: NSE/INSP/45565, Circular Ref. No: 53/2020 dated September 02, 2020, Download Ref No: NSE/INSP/45850, Circular Ref. No: 57/2020 dated September 28, 2020, Download Ref No: NSE/INSP/46485, Circular Ref. No: 72/2020 dated November 27, 2020, Download Ref No: NSE/INSP/49929, Circular Ref. No: 48/2021 dated October 12, 2021., Download Ref No: NSE/INSP/52263 dated May 11, 2022, and NSE/INSP/52711 dated June 23, 2022., Download Ref No: NSE/INSP/53525 dated September 02, 2022, Download Ref No: NSE/INSP/55463 dated February 01, 2023; Exchange Circulars NSE/INSP/45191 dated July 31, 2020; NSE/INSP/46485 dated November 27, 2020; Download Ref. No. NSE/INSP/52711 dated June 23, 2022; Download Ref. No. NSE/INSP/54080 dated October 14, 2022; Circular NSE/INSP/56512 dated April 26, 2023; Exchange Circular NSE/INSP/45191 dated July 31, 2020; Circular NSE/INSP/57112 dated June 14, 2023; Download Ref. No. NSE/INSP/64378 dated October 4, 2024; Download Ref No: NSE/INSP/64315 dated October 01, 2024; Download Ref No: NSE/INSP/64391 dated October 04, 2024, Exchange circular NSE/INSP/61507 dated April 05, 2024 and Exchange circular NSE/INSP/66840 dated February 24, 2025.
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2	Daily Margin Statement Format	Download Ref. No: NSE/INSP/45191, Circular Ref. No: 47/2020 dated July 31, 2020
3	Acceptance of Collateral from clients only by way of 'Margin Pledge'	Circular no. NSE/INSP/2008/66, download reference no. NSE/INSP/10605 dated 21st April 2008; SEBI Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020, Download Ref No: NSE/INSP/43653, Circular Ref. No: 10/2020 dated February 25, 2020; Download Ref No: NSE/INSP/44490, Circular Ref. No: 34/2020 dated May 28, 2020; Download Ref No: NSE/INSP/44511, Circular Ref. No: 35/2020 dated May 30, 2020; SEBI Circular No. HO/MIRSD/DOP/CIR/P/2020/88 dated May 25, 2020; SEBI Circular No. HO/MIRSD/DOP/CIR/P/2020/90 dated May 29, 2020; SEBI Circular No. HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024.

ITEM 4: DEALINGS WITH CLIENTS

4.1 Mode of payment and delivery

In accordance with paragraph 27 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, the brokers and authorized persons should not accept cash from the client whether against obligations or as margin for purchase of securities and / or give cash against sale of securities to the clients.

All payments shall be received / made by the brokers from / to the clients strictly by account payee crossed cheques / demand drafts or by way of direct credit into the bank account through NEFT, or any other mode allowed by RBI. The brokers shall accept cheques drawn only by the clients and also issue cheques in favour of the clients only, for their transactions.

Stockbrokers shall not accept cash from their clients either directly or by way of cash deposit to the bank account of Stock Broker / Trading Member.

Similarly in the case of securities also giving / taking delivery of securities in “demat mode” should be directly to / from the “beneficiary accounts” of the clients except delivery of securities to a recognized entity under the approved scheme of the stock exchange and / or SEBI.

Validation of Instructions for Pay-In of Securities from Client demat account to Trading Member (TM) Pool Account against obligations received from the Clearing Corporations

Paragraph 46.1 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 has prescribed that “Depositories, prior to executing actual transfer of the securities for Pay-In from client demat account to TM Pool account, shall validate the transfer instruction for the purpose of Pay-in, i.e., either initiated by clients themselves or by the Power of Attorney (POA) / Demat Debit and Pledge Instruction (DDPI) holder against the client wise net delivery obligation received from CCs. Further, in accordance with paragraph 46.3.3 and 46.3.4 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, “the Depositories shall validate the depository transfer instruction details with CC obligation details based on UCC, TM ID, CM ID, Exchange ID, ISIN, quantity, settlement details etc. In case of matching of all details like UCC, TM ID, CM ID, ISIN, quantity, settlement details etc. of the transfer instruction with the obligation data, the instruction shall be carried out by the Depositories and such securities will be debited from client’s demat account and credited to linked TM Pool account on or before the settlement day.”

Paragraph 46.3.5 provides that in case of discrepancies in details like UCC, TM ID, CM ID, ISIN etc., between instruction and obligation, such transfer instructions will be rejected by the depositories.” Further, the rejection of such instructions might result in default of Pay-In obligation.

In view of the above, Stock Brokers / Trading Members shall adhere to operating guidelines issued in respect of Pay-in validations by the Depositories (NSDL/CDSL) and are advised to ensure that correct UCC details are provided along with the instruction, to avoid rejection of

such instructions. Further, the Stock Brokers / Trading Members are advised to create awareness amongst their clients/investors on the implementation of Pay-in validations and the relevant operating guidelines issued by the Depositories.

Further, paragraph 46.3.7 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 clarifies that the process provided in terms of the Circular will not apply to clients having arrangements with custodians registered with SEBI for clearing and settlement of trades.

4.2 Pay-out of securities directly to client demat account

Exchange vide Circular Reference No. NSE/INSP/63885 dated September 11, 2024 and Circular Reference No. NSE/INSP/66759 dated February 20, 2025 has advised Stock Brokers / Trading Members to comply with the provisions applicable to them of the detailed guidelines including standard operating guidelines issued by Clearing Corporations on 'Pay-out of securities directly to client demat account' ("**SOP – Pay-out of securities**").

Further, SEBI has issued Circular Reference No. SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2024/75 dated June 05, 2024, on the subject of "Enhancement of operational efficiency and Risk Reduction – Pay-out of securities directly to client demat account." A copy of the SEBI Circular is enclosed as **Exhibit 24**.

4.3 Receipt of funds in the form of Pre-funded instruments / Electronic fund transfers

In accordance with paragraph 27.2 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, stockbrokers are permitted to accept Demand Drafts from their clients.

While receiving funds from the clients through pre-funded instruments, such as, Pay Order, Demand Draft, Banker's cheque, etc., it is observed that the stockbrokers are unable to maintain an audit trail of the funds so received, as the details of the name of the client and bank account-number are not mentioned on such instruments. This may result in flow of third-party funds / unidentified money, which is not in accordance with the provisions of the SEBI Master Circular for Stock Brokers dated August 09, 2024 and also affects the integrity of the securities market.

Therefore, with a view to address the aforesaid concerns, paragraph 28 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 provides as follows:

- 1) If the aggregate value of pre-funded instruments is 50,000/- or more, per day per client, the stock brokers may accept the instruments only if the same are accompanied by the name of the bank account holder and number of the bank account debited for the purpose, duly certified by the issuing bank. The mode of certification may include the following:
 - a) Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.

- b) Certified copy of the requisition slip portion which is retained by the bank to issue the instrument.
 - c) Certified copy of the passbook/bank statement for the account debited to issue the instrument.
 - d) Authentication of the bank account-number debited and name of the account holder by the issuing bank on the reverse of the instrument.
- 2) Maintain an audit trail of the funds received through electronic fund transfers to ensure that the funds are received from their clients only.

4.4 Settlement of Running Account of Clients' Funds

The settlement of funds / securities shall be done within twenty-four hours of the payout, unless specifically authorized by client to maintain running account subject to the following conditions:

- The authorization shall be dated and shall contain a clause that the clients may revoke the authorization at any time. The stockbrokers, while sending periodic statement of accounts to the clients, shall mention therein that their running account authorization would continue until it is revoked by the clients.
- Authorization shall be signed by the client only & not by any authorised person on his behalf or any holder of POA.
- Actual settlement of funds shall be done by the TM, at least once in a month or quarter as per the preference of the client.

SEBI vide Circular Reference No. SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2023/197 dated December 28, 2023 has communicated that it has been decided to accept the recommendation to settle the running account of clients on Friday and/or Saturday, which streamlines the process of settlement and ensures ease of doing business for various stakeholders viz. stockbrokers and banks, while at the same time safeguarding the interests of the investors by ensuring error free settlement. Accordingly, as per paragraph 15 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, with effect from the quarterly settlement of Jan-Mar 2024 and monthly settlement of January 2024, the Stock Brokers / Trading Members shall settle the running accounts of clients' funds on quarterly and monthly basis at the choice of the clients, on the dates stipulated by the Stock Exchanges. However, Stock Brokers / Trading Members shall ensure that funds if any, received by Stock Brokers / Trading Members from clients, whose running account has been settled, shall remain in the "Up Streaming Client Nodal Bank Account" and such funds shall not be used for settlement of running account of other clients.

In accordance with paragraph 47.1.2 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, the Exchange, vide Circular Reference No. NSE/INSP/67207 dated March 20, 2025, has prescribed the annual calendar stipulating the running account settlement dates

applicable for settlement of running account of clients' funds (quarterly and monthly) for the financial year 2025-26.

Further, as per paragraph 47.4 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, for the clients having credit balance, who have not done any transaction in the 30 calendar days since the last transaction and any amount of such client's funds is lying with Stock Broker / Trading Member for more than such 30 calendar days, the entire credit balance of client shall be returned to the client by TM, on the upcoming settlement dates of monthly running account settlement cycle (irrespective of settlement cycle preferred by the client) as stipulated by stock exchanges. However, if the client trades after 30 calendar days and before aforesaid upcoming settlement dates of monthly running account settlement cycle, the settlement of account of client shall continue to be done by the Stock Broker / Trading Member as per the preference of quarterly/monthly as indicated by the client for running account settlement.

The Stock Broker / Trading Member shall note the following points for the purpose of actual settlement of funds:

- While settling the account, the Stock Broker / Trading Member shall send to the client a 'statement of accounts' containing an extract from the client ledger for funds displaying all receipts/payments of funds/securities. The statement shall also explain the retention of funds/securities and the details of the pledge, if any.
- The client shall bring to notice any dispute within 7 working days from the date of receipt of funds / securities or statement.
- No inter-client adjustment for the purpose of settlement of the "running account".
- Transfer funds within 1 working day from the request if the same are lying with TM.
- Such periodic settlement may not be necessary:
 - a. In case of institutional clients settling trades through "custodians"
 - b. For clients availing margin trading facility to the extent of funds relating to MTF used by client.
 - c. For margin received in the form of Bank Guarantees (BGs) in accordance with the Upstreaming Guidelines.

Other Points to be noted:

- a) In case of client having any outstanding trade position on the day on running account settlement date of the Month / Quarter as stipulated by the Exchange on which settlement of running account of funds is scheduled, a Stock Broker / Trading Member may retain funds calculated in the manner specified below:

- i. Entire pay-in obligation of funds outstanding at the end of day on date of settlement, across all segments.
- ii. Stock Broker / Trading Member may retain 50% of end of the day (EOD) margin requirement as cash margin, excluding the margin on consolidated crystallized obligation/ MTM.
- iii. Apart from 50% cash margin mentioned in point ii above, Stock Broker / Trading Member may also retain 225% of EOD margin (which includes additional 125% margin) reduced by 50% cash margin and the value of securities (after applying appropriate haircut) accepted as collateral from the clients by way of 'margin pledge' created in the Depository system for the purpose of margin and value of commodities (after applying appropriate haircut). The margin liability shall include the end of the day margin requirement in all the segments across exchanges excluding the margin on consolidated crystallized obligation/ MTM. The margin liability may also include the margin collected by the Stock Broker / Trading Member from their clients as per the risk management policy and informed to the clients.

Notes:

- i. Client's running account shall be considered settled if Stock Broker / Trading Member has given instructions to bank for credit to client's bank account, provided that the Stock Broker / Trading Member has sufficient balance in its account.
- ii. While computing the value of securities, the closing rate for the trade date prior to the settlement date (T-1 day) should be considered after appropriate hair-cut viz. VaR margin rate applicable for the securities in the Capital Market segment. Further, as per Exchange circular NSE/INSP/66840 dated February 24, 2025 and NSE/INSP/67798, dated April 30, 2025, effective from June 30, 2025, the Stock Broker / Trading Member shall compute the value of securities as per the closing rate on T-1 day as reduced by the appropriate haircut at a rate not less than the VAR margin rate of the security at the beginning of T Day.
- iii. In case the Stock Broker / Trading Member applies haircut more than VaR rate on a regular basis and the actual margin is collected and exposure is provided accordingly, then such higher rate may be considered for determining the amount to be retained, provided the Stock Broker / Trading Member has intimated the requirement of additional margins to the clients through the policy and procedures document and consistently through the daily margin statements issued to clients.

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- iv. For the purpose of settlement of the clients carried out on **Saturday** (non-trading day), following points to be considered:
- The outstanding pay in and margin obligation data of the last trading day shall be considered in the computation specified as above i.e. Friday shall be considered for the purpose of settlement to be carried out on Saturday assuming Friday is not a trading holiday.
 - Margin pledged securities as on settlement date i.e. Saturday shall be considered.
 - Client Funds Balance as on settlement date i.e. Saturday shall be considered.
 - While computing the value of margin pledged securities, the closing rate for T-1 trading day should be considered after appropriate hair-cut viz. VaR margin rate applicable for the security in the Capital Market segment. e.g. Closing rate of T-1 trading day i.e. Thursday shall be considered for settlement to be carried out on Saturday assuming Friday and Thursday are not a trading holiday. Further, as per Exchange circular NSE/INSP/66840 dated February 24, 2025 and NSE/INSP/67798, dated April 30, 2025, effective from June 30, 2025, the Stock Broker / Trading Member shall compute the value of securities as per the closing rate on T-1 day as reduced by the appropriate haircut at a rate not less than the VAR margin rate of the security at the beginning of T day.
- v. No inter client adjustment/ passing of Journal Entries can be done/ considered for the purpose of settling client accounts.
- vi. Obtaining of authorization from the clients to the effect that no settlement need be done for running accounts is contradictory to the SEBI requirement and hence not permissible.
- b) Client's running account shall be considered settled only by making actual payment into client's bank account and not by making any journal entries. Journal entries in client account shall be permitted only for levy / reversal of charges in client's account.
- c) Stock Brokers / Trading Members may issue a physical payment instrument (cheque or demand draft), only in cases where electronic payment instructions have failed or have been rejected by the bank and after keeping adequate record of the same. In such cases, the date of debit of funds in Stock Brokers / Trading Members bank account towards clearance of said physical instrument shall be considered as settlement date and not the date of issue of physical instrument.

- d) Retention of any amount towards administrative / operational difficulties in settling the accounts of regular trading clients (active clients), is not allowed.
- e) The Authorized person is not permitted to accept client's funds and securities. The TM should keep a proper check. Proprietary trading by Authorized person should be permitted only on his own funds and securities and not using any of the client's fund.
- f) Once the TM settles the running account of funds of a client, an intimation shall be sent to the client by SMS on mobile number and also by email. The intimation should also include details about the transfer of funds (in case of electronic transfer – transaction number and date; in case of physical payment instruments – instrument number and date). TM shall send the retention statement along with the statement of running accounts to the clients as per the existing provisions and prescribed format, within 5 working days.
- g) Client shall bring any dispute on the statement of running account, to the notice of TM within 7 working days from the date of the statement.
- h) For the purpose of settlement of funds, the mode of transfer of funds shall be by way of electronic funds transfer viz., through National Electronic Funds Transfer NEFT, Real Time Gross Settlement RTGS, etc.
- i) The required bank details for initiating electronic fund transfers shall be obtained from new clients and shall be updated for existing clients. Only in cases where electronic payment instructions have failed or have been rejected by the bank, then the Stock Broker / Trading Member may issue a physical payment instrument.
- j) Statement of accounts containing an extract from client ledger for funds & securities along with a statement explaining the retention of funds/securities shall be sent within five working days from the date when the account is considered to be settled.

Further, Exchange has issued clarification in the form of frequently asked questions (FAQs) on Settlement of Running Account of Client's Funds vide Exchange Circular Reference No: NSE/INSP/53820, Circular Reference No: 66/2022 dated September 23, 2022. The updated FAQs are enclosed as **Exhibit 25**.

Stock Brokers / Trading Members are advised to ensure that the settlement of running account of clients' funds is done in accordance with the guidelines issued by SEBI/ Exchanges. Further, as advised vide Exchange Circular Reference No. NSE/INSP/51830 dated March 31, 2022, Exchange Circular Reference No. NSE/INSP/53820 dated September 23, 2022, Exchange Circular Reference No. NSE/INSP/60014 dated December 28, 2023, and Exchange Circular Reference No. NSE/INSP/60066 dated January 01, 2024, Stock Brokers / Trading Members shall not make part/periodic payments, that are not commensurate with the running account settlement guidelines. However, if the client specifically requests for a pay-out, the same shall be made and the evidence of such requests received from clients shall be maintained by the Stock Broker / Trading Member. It is to be noted that for each such payout to the credit balance

clients, a separate request received from clients, which could be, inter alia, in the form of writing, telephone recording, email from registered mail id, record of messages through registered mobile phones, log for internet requests shall be maintained by the Stock Brokers / Trading Members.

In order to monitor the compliance of timely settlement of running account of clients' funds and to verify that excess clients' funds are not retained by the TM as on the date of settlement of running account, it has been decided in joint consultation with other Exchanges and SEBI that Stock Brokers / Trading Members shall report the UCC wise settlement details to the Exchange within the prescribed timelines as specified below:

Sr. No.	Reporting Requirement	Timelines	Format
1.	Submission of UCC wise settlement details	Within 10 trading days post settlement date	<u>Exhibit 26</u>

Note:

- i. The above requirement is applicable to all Stock Brokers / Trading Members, except for those who are carrying out only proprietary trading and/or only trading for institutional clients.
- ii. Stock Brokers / Trading Members carrying out only proprietary trading and/or only trading for institutional clients will have to give a one-time declaration through the system.
- iii. Stock Brokers / Trading Members servicing both institutional & non-institutional clients shall be required to submit the data for all non-institutional clients.

Exchange vide Circular Reference No. NSE/INSP/56261 dated April 03, 2023 has formulated a penalty structure for non-compliance with respect to aforesaid submissions and accordingly, any delay / non submission shall attract following penal/disciplinary actions:

Sr. No.	Details of Violation/ Contravention	Due date for submission	Penalty/ Disciplinary actions
1.	Delayed/Non-submission of UCC wise settlement details as per the prescribed format	Within 10 trading days post settlement date	<ol style="list-style-type: none"> 1. In case of non-submission of UCC wise settlement details within 10 trading days post settlement date, penalty of Rs. 10,000 per day for each day of delay. 2. In case of non-submission of UCC wise settlement detail within one week from the due date of submission of UCC wise settlement details (i.e. 10 trading days post settlement date), new client registration to be prohibited. Further, a seven days' notice shall be given intimating disablement of trading facility in the event of failure of the submission of data. 3. In case of non-submission of UCC wise settlement details within two weeks from the due date of submission of UCC wise settlement details (i.e. 10 trading days post settlement date), Stock Broker / Trading Member shall be disabled in all

Sr. No.	Details of Violation/ Contravention	Due date for submission	Penalty/ Disciplinary actions
			segments till submission of data.

4.5 Annual Calendar and Operational Guidelines for Settlement of Running account of clients' funds lying with the Stock Brokers / Trading Members

In accordance with paragraph 47.1.2 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, Exchange, vide Circular Reference No. NSE/INSP/67207 dated March 20, 2025, has prescribed the annual calendar for the settlement of running account (quarterly and monthly) for the financial year 2025 - 26 enclosed as **Exhibit 27**.

Further, in accordance with paragraph 6.4 of aforesaid SEBI Circular, Exchange has framed operational guidelines enclosed herewith as **Exhibit 28**.

4.6 Statement of Accounts for Funds, Securities and Commodities

Exchange vide Circular Reference No. NSE/INSP/47227 dated February 03, 2021 issued guidelines for 'Statement of Accounts' for Funds, Securities and Commodities. Stock Broker / Trading Member shall send a complete 'Statement of Accounts' for funds, securities and commodities in respect of each of its clients on weekly basis. Stock Brokers / Trading Members have to send the 'Statement of Accounts' on or before the next four trading days of subsequent week.

Clarifications on Statement of Accounts

- i. Stock Broker / Trading Member shall send a complete 'Statement of Accounts' for funds and securities/commodities in respect of each of its clients on weekly basis from Monday to Saturday for each week.
- ii. The client shall bring any dispute arising from the statement of account to the notice of the Stock Broker / Trading Member preferably within 7 working days from the date of receipt of statement.
- iii. The Stock Brokers / Trading Members shall not be required to send the 'Statement of Accounts' to clients with zero funds, zero securities and zero commodities balances and also has been flagged as 'Inactive' (i.e. if no trades are carried out by the client in the last 24 months across all Exchanges) in the UCC database of the Exchange.
- iv. In respect of Stock Brokers / Trading Members who offer trading facility to their clients through internet and provide to such clients an access to an on-line account viewing and print-out facility, it would be treated as sufficient compliance of Regulation 6.1.5 d of Part A Chapter 6 of Capital Market Regulations of the Exchange, if they send the 'Statement of Accounts' by email to such clients.
- v. Stock Brokers / Trading Members shall send the statement of accounts for funds/securities /commodities reflecting the balances of funds/securities/commodities after adjusting/reversal for open bills of the client, uncleared cheques deposited or issued by/to clients and the margin obligations posted in the client ledger, if any as on the last date of the statement i.e. Saturday of every week.
- vi. Further, Stock Broker / Trading Member shall also disclose the details of pending settlement pay in/pay out obligations of all segments and uncleared cheques in respect to the funds/securities/commodities of the client as on last date of the statement i.e. Saturday of every week to the client in the weekly statement of accounts separately.
- vii. The weekly statement of accounts sent to the clients, shall necessarily contain a clause intimating the client that the client needs to refer to the daily margin statement for any pending/outstanding margin obligation of the trades executed by the client in case the margin obligations are posted in the client ledger.

viii. Stock Broker / Trading Member shall ensure that the statement of account of fund/securities/commodities reflecting the balance as on the last date of the statement matches with the financial ledger balance (Clear) in segregation and monitoring of collateral at client level submissions and securities/commodities holding in Holding Statement uploaded to the Exchange of the same date.

ix. Notwithstanding anything contained above, Stock Broker / Trading Member shall issue the statement of accounts for funds, securities and commodities for such period as may be requested by the client from time to time.

In respect of custodian participants clients, the requirement of the aforementioned Circulars / Regulations are applicable if the Stock Brokers / Trading Members receive funds / securities / commodities from their Custodian Participants clients and / or pay funds / deliver securities / commodities to such Custodian Participants clients directly and not through the custodians/clearing members.

The format of the statement of accounts for funds and securities/commodities is enclosed as **Exhibit 29**.

x. Statement of Accounts at the time of Settlement:-

Statement of accounts containing an extract from client ledger for funds & securities along with a statement explaining the retention of funds/securities shall be sent within five days from the date when the account is considered to be settled.

The statement sent at the time of settlement shall be adequate compliance for the purpose of sending quarterly statement of accounts for funds/securities.

Additionally, as on March 31 every year, the statement of balance of funds and securities in hard form and signed by the Stock Broker / Trading Member shall be sent to the clients only upon request.

xi. The Stock Brokers / Trading Members, while sending periodical statement of accounts to the clients, shall mention therein that their running account authorization would continue until it is revoked by the clients.

xii. It has been decided that while a Stock Broker / Trading Member may use the brand name / logo of its group companies, it must display more prominently its name as registered with SEBI, its own logo, if any, its registration number, and its complete address with telephone numbers, the name of the compliance officer, his telephone number and e-mail address in statement of funds and securities issued to the clients.

4.7 Financing of Securities Transactions

Exchange vide Circulars Reference No. NSE/INSP/6938 dated December 09, 2005, NSE/INSP/47278 dated February 09, 2021, NSE/INSP/52888 dated July 05, 2022 and

NSE/INSP/62793 dated July 04, 2024 has advised Stock Brokers / Trading Members not to indulge in the practice of Financing Securities Transactions. Stock Brokers / Trading Members have also been advised to desist from trading or acting as a conduit or intermediary for financing any secondary market transactions entered by their clients, directly or indirectly except in accordance with the regulatory provisions of Margin Trading Facility and Securities Lending and Borrowing. Further, Exchange vide its Circular No. NSE/COMP/50957 dated January 07, 2022 has reiterated that Stock Brokers / Trading Members are not permitted to engage in any business or activities or transactions, directly or indirectly, other than that of securities or commodity derivative except as a broker or agent not involving any personal financial liability. Hence, it has been reiterated that engaging in NBFC/Lending Business either directly or indirectly, tantamount to financing of transactions which is not in compliance with the guidelines issued vide aforesaid circulars.

Such arrangements are in violation of circulars issued earlier regarding mode of payment & delivery, margin trading and securities lending & borrowing. In view of the same, Stock Brokers / Trading Members are advised to ensure the following:

- a) Stock Brokers / Trading Members shall not be a party to any agreement or arrangement, directly or indirectly, entered into between their clients and any person including their subsidiary / holding company or group or associate company, to fund any secondary market transactions or margin requirements in respect of transactions executed by the Stock Brokers / Trading Members on behalf of their clients, or recognise or act in accordance with any such agreement or arrangement entered into by the Stock Brokers' / Trading Members' clients with any person.
- b) Stock Brokers / Trading Members shall not entertain, any instructions to trade in securities or transfer funds or securities, from any entity other than the clients, by prior arrangement or otherwise to facilitate financing clients' transactions or margin requirements in respect of the transactions. Any financing arrangement with a general authorization by the clients are not permitted.
- c) Stock Brokers / Trading Members shall not also otherwise finance or act as a conduit or front for financing any secondary market transactions entered into by their clients, directly or indirectly except in accordance with the regulatory provisions of Margin Trading Facility and Securities Lending and Borrowing.
- d) Stock Brokers / Trading Members shall not share transaction/obligation details of the clients with NBFC or any other lending institutions.
- e) Stock Brokers / Trading Members shall not engage in cross-selling of lending products or open joint (2 in 1 type of) accounts in collaboration with NBFC or any other lending institutions.

4.8 Clarifications on funding in connection with / incidental to /consequential upon the securities business

Clarifications are issued on debit balances in Client's account:

- a. If debit balance arises out of client's failure to pay such amount for less than fifth trading day reckoned from date of pay-in, such debit balances would not be construed as violation relating to funding.
- b. If debit balance arises out of client's failure to pay such amount for more than fifth trading day reckoned from date of pay-in, and no further exposure is granted to client from the sixth trading day reckoned from the date of pay-in, such debit balance would not be construed as violation relating to funding.
- c. If debit balances arise out of client's failure to pay such amount for more than fifth trading day reckoned from date of pay-in, and further exposure is granted to client it would be construed as violation relating to funding.
- d. Delayed Payment Charges or interest charge for the funds deployed by the Stock Broker / Trading Member may be charged at the rate/s consented by the client.

For the purpose of reckoning debit balance stated above, the debit balance in the client ledger consolidated across segments & Exchanges after giving effect to the release of margin to be considered.

Based on communication from SEBI, it has come to the attention of the Exchange that Stock Brokers / Trading Members are levying delayed payment charges on client's debit balances even though such client has credit balance with the Stock Broker / Trading Member in other segment/Exchange. It is hereby clarified that, credit balances & debit balances of a client across different segments/Exchanges should be netted off to arrive at the net debit balance, and any delayed payment charges, as mutually agreed, should be applicable on such netted off debit balance, if any.

Further, it is clarified that, any excess BGs in accordance with upstreaming guidelines held by the Stock Broker / Trading Member on behalf of a client, are only for the purpose of meeting margin requirements, and the value of such excess BGs may not be adjusted for the calculation of the net debit balance (on which delayed payment fee is charged).

4.9 Handling of Clients' Funds & Securities

Stock Brokers / Trading Members shall note the following: -

- a) Stock Brokers / Trading Members shall not use client funds and securities for proprietary purposes including settlement of proprietary obligations.
- b) The securities received in pay-out against which payment has been made by clients, shall be transferred to the demat account of the respective clients within one working day of the payout. Such securities shall be transferred directly from the pool account of the TM/CM to the demat account of the respective client.

- c) In order to further streamline the process of handling of unpaid securities by TM/CM, SEBI vide paragraph 45 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, has decided that:
- i. All the securities received in pay-out, shall be transferred to the demat account of the respective clients directly from the pool account of the TM/CM within one working day of the pay-out.
 - ii. With regard to the unpaid securities (i.e., the securities that have not been paid for in full by the clients), such securities shall be transferred to respective client's demat account followed by creation of an auto-pledge (i.e., without any specific instruction from the client) with the reason "unpaid", in favor of a separate account titled – "client unpaid securities pledgee account", which shall be opened by TM/CM.
 - iii. After the creation of pledge, a communication (email / SMS) shall be sent by TM/CM informing the client about their funds obligation and also about the right of TM/CM to sell such securities in event of failure by client to fulfil their obligation.
 - iv. If the client fulfills its funds obligation within five trading days after the payout, TM/CM shall release the pledge so that the securities are available to the client as free balance.
 - v. If the client does not fulfil its funds obligation, TM / CM shall dispose off such unpaid securities in the market within five trading days after the pay-out. TM/CM, before disposing the securities, shall give an intimation (email / SMS) to the client, one trading day before such sale.
 - vi. The unpaid securities shall be sold in the market with the Unique Client Code (UCC) of the respective client. Profit/loss on the sale transaction of the unpaid securities, if any, shall be transferred to/adjusted from the respective client account.
 - vii. TM / CM shall invoke the pledge only against the delivery obligation of the client. On invocation, the securities shall be blocked for early pay-in in the client's demat account with a trail being maintained in the TM/CM's client unpaid securities pledgee account.
 - viii. Once such securities are blocked for early pay-in in client's demat account, the depositories shall verify the block details against the client level obligation.
 - ix. In case, such pledge is neither invoked nor released within seven trading days after the pay-out, the pledge on securities shall be auto released and the securities shall be available to the client as free balance without encumbrance.

- x. Such unpaid securities pledged in client's account shall not be considered for the margin obligations of the client.
- d) Clearing Corporation has provided a facility for reversal of excess securities provided as early pay-in (EPI) on Trade day (T day). Accordingly, clearing corporations shall release excess EPI if any, after the cut-off time for EPI of securities on T day and reverse the same to clearing members who have opted for such facility in the respective depositories. Stock Brokers / Trading Members are also advised to ensure that excess securities provided as early pay-in (EPI) and released by the clearing corporation/clearing member on T Day are also transferred to the respective beneficiary account of their clients on the Trade day (T Day) itself.

SEBI vide paragraph 44 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 provides the process of Block Mechanism in demat account of clients undertaking sale transactions on optional basis. When the client intends to make a sale transaction, shares will be blocked in the demat account of the client in favour of Clearing Corporation. If sale transaction is not executed, shares shall continue to remain in the client's demat account and will be unblocked at the end of the T Day. Thus, this mechanism will do away with the movement of shares from client's demat account for early pay-in and back to client's demat account if trade is not executed.

SEBI vide paragraph 44.3 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, has made the facility of block mechanism mandatory for all Early Pay-In transactions. The same is applicable with effect from November 14, 2022.

It is clarified that the block mechanism shall not be applicable to clients having arrangements with custodians registered with SEBI for clearing and settlement of trades.

- e) In accordance with paragraph 1.1.13 of Chapter 4 of the SECC Master Circular, SEBI has prescribed guidelines regarding Segregation and Monitoring of Collateral at Client Level, in order to further strengthen the mechanism of protection of client collateral from (i) misappropriation/ misuse by TM/ CM and (ii) Default of TM/CM and/or other clients. The circular has, *inter alia*, stipulated mechanism for reporting by TMs and CMs, collateral deposit and allocation, collateral valuation, blocking of margins, change of allocation, client margin reporting and default management process and procedure of default of TMs and CMs.

In order to utilize aforesaid submission of segregation and monitoring of collateral at client level by Exchanges also for supervisory activities and with an objective to discontinue the Client Level Cash and Cash Equivalent submission being reported by Stock Brokers / Trading Members to Exchange, Clearing Corporations in consultation with Exchanges have revised the reporting format of said submission of segregation and monitoring of collateral at client level with inclusion of certain additional columns/details which were reported in Client Level Cash & Cash Equivalent submission.

Further, Exchange vide Circular Reference No. NSE/INSP/57639 dated July 20, 2023, informed Stock Brokers / Trading Members that data reported by them towards segregation and monitoring of collateral at client level submission to clearing member or clearing corporations, as the case may be, is used by the Exchange also for undertaking supervisory activities and accordingly, Stock Brokers / Trading Members have been advised to report correct data. Some of the common reasons of incorrect reporting observed by Exchange in the said submission to Clearing Member /Clearing Corporation have also been listed out in **Exhibit 30**.

As Exchange has started using the said submission for the supervisory activities and in order to ease out the compliance burden of the Stock Brokers / Trading Members, Exchange has discontinued the requirements of reporting of day wise Client Level Cash and Cash Equivalent Balances by Stock Brokers / Trading Members.

However, Stock Brokers / Trading Members have been advised to report correct data in the segregation and monitoring of collateral at client level submission to their Clearing Members or Clearing Corporations as case may be, in accordance with the guidelines issued by Clearing Corporations/ Exchanges from time to time.

Stock Brokers / Trading Members attention is also drawn to Exchange Circular no. NSE/ISC/47479 dated February 26, 2021 wherein it was mentioned that the financial ledger balance (Clear) in Cash & Cash Equivalent and securities/ commodities holding in Holding Statement as of Saturday reported by the Stock Brokers / Trading Members on weekly basis shall be disseminated by Exchange to the clients via SMS/Emails on as is basis.

In light of discontinuation of Client Level Cash & Cash Equivalent submission, the financial ledger balance (Clear) of Saturday as reported by Stock Brokers / Trading Members in submission of segregation and monitoring of collateral at client level to Clearing Members /Clearing Corporations on daily basis and securities/ commodities holding of Saturday as reported by Stock Brokers / Trading Members in Holding Statement to Exchange on daily basis shall be disseminated by Exchange to the clients via SMS/Emails on as is basis from the week ending March 02, 2024 and thereafter.

Further, it has been observed that certain Stock Brokers / Trading Members are not making submission of segregation and monitoring of collateral at client level to Clearing Members /Clearing Corporations of Saturday. In view of the same, Stock Brokers / Trading Members have been advised to ensure that submission of segregation and monitoring of collateral at client level of Saturday is also made to Clearing Members /Clearing Corporations.

- f) Exchange vide Circular Reference No. NSE/INSP/64053 dated September 20, 2024 has advised Stock Brokers / Trading Members to comply with the following requirements:

- (i) Stock Broker / Trading Member shall create a designated UCC "SUSPE1234N" on the PAN of the Stock Broker / Trading Member in the back office under which unidentified/suspense account funds shall be allocated and reported to CCs under submission of segregation and monitoring of collateral at client level. Stock Broker / Trading Member shall keep unidentified credits or suspense account funds upstreamed to clearing corporations.
- (ii) Stock Broker / Trading Member shall not create said UCC in the UCC database of Exchanges and accordingly, orders should not be permitted by Stock Brokers / Trading Members on said UCC.
- (iii) Further, Stock Brokers / Trading Members have also been requested to note following clarifications with respect to reporting of segregation and monitoring of collateral at client level:

Sr. No.	Queries	Clarifications						
1.	How should Stock Broker / Trading Member do the reporting on T Day of early pay in of funds made to CC against the settlement obligation (including Offer for Sale amounts to the extent lying with CC on end of the T day) which is due for settlement on upcoming day(s)?	<p>Reporting on days prior to Settlement date of such obligations/OFS</p> <p>The amount of early payin of funds for settlement obligation (including OFS) should be shown in the column numbered as 46 "Cash placed with CC" instead of column numbered as 22 "Cash Retained by TM" as funds are transferred to CC and not available in bank account of Stock Broker / Trading Member.</p> <p>Reporting on Settlement date of such obligations/OFS</p> <p>Not applicable as funds are not available in clear ledger balance of client and used for settlement obligation</p> <p>Example: Client has given Rs. 100 against the trade on T Day which is due for settlement on next day (T+1). Stock Broker / Trading Member has made early pay in of said funds to CC on T Day.</p> <p>Reporting on T and T+1 days would be as under assuming no other transaction in client ledger</p> <table border="1"> <thead> <tr> <th>Particular</th><th>T Day</th><th>T+1 Day</th></tr> </thead> <tbody> <tr> <td></td><td></td><td></td></tr> </tbody> </table>	Particular	T Day	T+1 Day			
Particular	T Day	T+1 Day						

Sr. No.	Queries	Clarifications		
		Clear Ledger Balance (Column number 11)	100	0
		Cash Retained by TM (Column number 22)	0	0
		Cash Placed with CC (Column number 46)	100	0
2.	While reporting peak ledger balance of Reporting date in column numbered as 12 "Peak Financial Ledger Balance (Clear)-C in the books of TM for clients and in the books of CM for TM (Pro) and in the books of CM for CP", whether same should be reported after reducing the debit settlement bill of Cash Market, FO, CD and Commodity segment which are due for settlement on the Reporting date?	<p>No, while reporting peak ledger balance of Reporting date, Stock Broker / Trading Member is not required to reduce the debit bill, if any of Cash Market, FO, CD and Commodity segment which are due for settlement on the Reporting date.</p> <p>Example 1: Debit Settlement bill of CM segment due on Reporting date is Rs. 100. Highest Peak ledger balance throughout the day without debiting this bill in ledger is Rs. 500. Highest peak ledger balance throughout the day after posting this debit bill is Rs. 400.</p> <p>In above case, Stock Broker / Trading Member should report 500 as peak ledger balance for Reporting date.</p> <p>Example 2: Credit Settlement bill of CM segment due on Reporting date is Rs. 100. Highest Peak ledger balance throughout the day without crediting this bill in ledger is Rs. 400. Highest peak ledger balance throughout the day after posting this credit is Rs. 500.</p> <p>In above case, Stock Broker / Trading Member should report 500 as peak ledger balance for Reporting Date.</p>		

- g) Exchange has issued FAQs on Handling of Clients' Securities by Stock Brokers / Trading Members/Clearing Members vide Circular Reference No. NSE/INSP/42229 dated September 27, 2019.

4.10 Pledging of client securities

With effect from September 01, 2019, clients' securities lying with the TM/CM cannot be pledged to the Banks/NBFCs for raising funds, even with authorization by client as the same would amount to fund-based activity by TM/CM which is in contravention of Rule 8(1)(f) & 8(3)(f) of Securities Contracts (Regulation) Rules, 1957.

4.11 E-mail and SMS alerts to Investors

In accordance with paragraph 33 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, SEBI had advised the Stock Exchange to provide the facility of SMS and email alerts to investors. Pursuant to this, the Exchange had provided a facility for the Stock Brokers / Trading Members to upload the details of their clients such as name, mobile number, correspondence address and e-mail address on UCI Online.

In view of the same, Stock Brokers / Trading Members are required to obtain the email ID and mobile number of their clients and upload them to the UCI online. Stock Brokers / Trading Members are required to take utmost care while uploading the said client details.

In this regard, Exchange vide Circulars Reference No. NSE/INVG/21841 dated October 4, 2012, NSE/INSP/27339 dated August 12, 2014, NSE/INSP/27368 dated August 18, 2014 and NSE/INSP/65679 dated December 19, 2024 have issued the guidelines/clarifications on SMS and email alerts. Stock Brokers / Trading Members shall ensure the following guidelines are complied with while implementing the above circulars:

1. Separate mobile number/e-mail address shall be uploaded for each client. Under exceptional circumstances, the Stock Brokers / Trading Members may, at the specific written request from client, upload the same mobile number/email address for more than one client provided such client belongs to one 'family' or such client is the authorised person of an HUF, Corporate, Partnership or Trust (in case of non-individual clients).

Family / authorized person for this purpose shall include:

- a) In case of individuals, self, spouse, dependent children and dependent parents.
- b) In case of HUF, Karta or any of the Co-parceners as per prior approval of Karta.
- c) In case of Partnership firm, any of the partners as per prior approval of all / authorized partners.
- d) In case of a Trust, any of the trustees or beneficiaries as per resolution passed by the Trust.

- e) In case of Corporates, the authorized person operating the trading account as per the Board.
- 2. Mobile numbers/e-mail addresses of Stock Broker / Trading Member's employees/ authorized persons should not be uploaded as mobile number or E mail ID of the client.
- 3. For all existing clients, Stock Broker / Trading Member should collect their e mail IDs & mobile numbers and upload the same to Exchange before executing any fresh transaction for that client.
- 4. Where Stock Brokers / Trading Members are unable to get the details from their existing clients, Stock Brokers / Trading Members are advised to retain verifiable records of seeking details of email ID and mobile number for such clients. However no fresh trade can be done for such client unless the email ID & mobile number is collected and uploaded in UCI.
- 5. The email and mobile number details of the clients should not be kept blank in the UCI online database. All Stock Brokers / Trading Members are requested to strictly adhere to the aforementioned requirements and exercise due diligence while uploading the email ID and mobile numbers declared by their clients to the UCI online of the Exchange.

With a view to bring the initiative to the notice of the investors, SEBI has advised Stock Brokers / Trading Members to display the following message on their respective websites:

Attention Investors "Prevent unauthorised transactions in your account --> Update your mobile numbers/email IDs with your stock brokers. Receive information of your transactions directly from Exchange on your mobile/email at the end of the day. Issued in the interest of Investors"

All Stock Brokers / Trading Members having websites are hereby required to display the above message on the homepage of their respective websites at a prominent place.

4.12 Prevention of Unauthorised Trading by Stockbrokers

In order to strengthen the regulatory provisions against un-authorised trades, SEBI vide paragraph 34.2 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 and Exchange vide Circular Reference No. NSE/INSP/67132 dated March 13, 2025, has directed all Stock Brokers / Trading Members to execute trades of clients only after keeping evidence of the client placing the order which could be, inter alia, in the form of:

- a) Physical record written & signed by client
- b) Telephone recording
- c) Email from authorized email ID

- d) Log for internet transactions
- e) Record of SMS messages⁶
- f) Any other legally verifiable record.

Further, in case the order instructions are received from clients through telephone, the Stock Brokers / Trading Members shall mandatorily use telephone recording system to record the instructions and maintain such recordings as part of its records.

It has been further clarified that orders initiated by the Stock Brokers / Trading Members on behalf of clients through IVR (Interactive Voice Response) system and considering pressing a predefined number / option as order confirmation shall not be considered as legally verifiable record of order placement.

Stock Brokers / Trading Members are required to maintain the records specified in point (a) to point (f) stated above for a minimum period for which the arbitration accepts investor complaints as notified from time to time, which is currently three years. However, in cases where dispute has been raised, such records shall be kept till final resolution of the dispute.

It may be noted that in case of any dispute, the burden of proof will be on the Stock Broker / Trading Member to produce the above records. However, for exceptional cases such as technical failure etc. where Stock Broker / Trading Member fails to produce order placing evidences, the Stock Broker / Trading Member shall justify with reasons for the same and depending upon merit of the same, other appropriate evidences like post trade confirmation by client, receipt/payment of funds/ securities by client in respect of disputed trade, etc. shall also be considered.

4.13 Issuance of Annual Global Statement

Exchange vide Circular Reference No. NSE/INSP/3673 dated January 11, 2018 advised Stock Brokers / Trading Members shall issue an Annual Global Statement to their clients. The statement shall be issued within 30 days from the end of the financial year and shall contain details of all transactions executed by the client in the financial year. An indicative format of the Annual Global Statement along with FAQ issued by the Exchange vide Circular Ref. No. NSE/INSP/36731 dated January 11, 2018, is enclosed as **Exhibit 31**.

Further, following points shall be ensured by the Stock Brokers / Trading Members:

- a) The Stock Broker may provide any additional data like ISIN, average rate, net position, etc.

⁶ Amended vide SEBI Master Circular Reference No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/87 dated June 01, 2018.

- b) Consolidated report to be given for entire financial year.
- c) Each distinct security/ commodity should be mentioned as a separate line item.
- d) The Annual Global Transaction Statement (“AGTS”) may be given on trade day basis or settlement day basis.
- e) AGTS should be generated PAN wise. However, a single PAN has been issued multiple UCCs (i.e. NRI clients, different UCCs allotted across different segments/ exchanges), then UCC wise AGTS may be provided.
- f) Effect of close out/ settlement / auction transactions should be mentioned in the purchase/ sale column, as appropriate.
- g) AGTS has to be provided to all the clients within 30 days from the end of the financial year.
- h) Regulatory directives as applicable from time to time regarding communication to clients should be adhered to.
- i) All charges mentioned in the contract notes like Securities/ Commodities Transaction Tax, Stamp Duty, Exchange Transaction Charges, SEBI turnover fees, etc. should be provided in the report appropriately.
- j) If the client desires any further information/ details regarding the AGTS, the same should be provided by the Stock Broker.

4.14 Prohibition on acceptance of cash by Stock Brokers

SEBI vide its Circular Reference No. SEBI/HO/MIRSD/DOP/CIR/P/2018/113 dated July 13, 2018 and vide paragraph 27.2 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 has clarified that Stock brokers shall not accept cash from their clients either directly or by way of cash deposit to their bank account.

4.15 Clarification on physically settled Stock Derivatives

SEBI vide Circular Reference No. SEBI/HO/MRD/DP/CIR/P/2018/67 dated April 11, 2018 and Exchange vide Circular Reference No. NSE/FAOP/37594 dated April 23, 2018 has introduced physical settlement of equity derivatives.

FAQs were issued on physically settled Equity Derivatives vide Exchange Circular Reference No. NSE/INSP/38433 dated July 27, 2018. As per SEBI Circular Reference No. SEBI/HO/MRD/DOPI/CIR/P/2018/161 dated December 31, 2018, SEBI/HO/MRD/DOPI/CIR/P/2019/28 dated February 08, 2019, and Exchange Circular Reference No. NSE/FAOP/39824 dated January 01, 2019, physical settlement shall be mandatory for all stock derivatives with effect from October 2019 expiry onwards. Further, derivatives introduced on new stocks, meeting the enhanced eligibility criteria as specified by

SEBI Circular Reference No. SEBI/HO/MRD/DP/CIR/P/2018/67 dated April 11, 2018, would also be physically settled.

Stock Brokers/Trading Members are required to make available the mechanism for physical in stock derivatives to all their clients who wish to avail of the said facility without having any default option of mandatory/automated squaring off of the positions. Necessary risk management measures can be put in place by the Members in their internal policies to handle the same and the same should be duly informed to the clients. The Exchange has issued FAQs on physically settled Equity Derivatives vide Exchange Circular Reference No. NSE/INSP/38433 dated July 27, 2018.

Stock Brokers / Trading Members are required to make available the mechanism for physical settlement in stock derivatives to all their clients who wish to avail of the said facility without having any default option of mandatory/automated squaring off the positions. Necessary risk management measures can be put in place by the Stock Brokers / Trading Members in their internal policies to handle the same and the same should be duly informed to the clients. The FAQs have been enclosed as **Exhibit 32.**

4.16 Participation of Eligible Foreign Entities (EFEs) in the commodity derivatives market

In accordance with Exchange Circular Reference No. NSE/INSP/39227 dated October 24, 2018, it has been decided to permit foreign entities having actual exposure to Indian commodity markets, to participate in the commodity derivative segment of recognized stock exchanges for hedging their exposure.

4.17 Clarification on incentives/referral schemes

With a view to safeguard the interest of the investors, Exchange vide Circular Reference No. NSE/INSP/43824 dated March 11, 2020 has issued the following guidelines/clarifications on various incentive schemes observed in the Market pertaining to client referrals :

- a. For a particular referring person, the rate of the incentive should be flat (i.e. not slab based) and a single rate should be applied. It is hereby clarified that a Stock Broker / Trading Member may have different referral incentive rates across different referring person.
- b. The referring person should not undertake any form of selling/advisory activities in secondary market w.r.t securities and should not manage the portfolio of any person who is being referred. He/she should strictly limit his/her role to “Referral” only.
- c. The referred client shall not be subjected to any kind of trade inducement by the referring person and it shall be ensured that all instructions for placement of orders are obtained from the respective clients only.

- d. All the details/information pertaining to the client shall be maintained confidentially and the same should not be disclosed to any person except as required under any law/regulatory requirements or with the express written permission of the client.
- e. All correspondences viz. contract notes, daily margin statement, statement of accounts, Annual global transaction statements etc. should be sent to the respective client only and under no circumstances will go to the referring person.
- f. The referring person cannot conduct IPV/OSV. However, referring person who are under an obligation to undertake IPV/OSV under their respective governing regulations, may continue to do so.
- g. Incentive amount should not be recovered from the client being referred and no obligation whatsoever should be cast on such client. There should be no financial transaction between the referred client and the referring person under the arrangement.
- h. Stock Broker / Trading Member shall be directly and wholly liable in case of any dispute w.r.t. referral program/incentive scheme or calculation of referral income between Stock Broker / Trading Member-referred/ referring person. Such disputes/grievances will not be covered under investor protection or grievance redressal measures of the Exchange.

Stock Brokers / Trading Members should comply with code of conduct prescribed for Stockbrokers under Regulation 9 of the SEBI (Stock Brokers) Regulations, 1992, and all relevant Byelaws, rules & regulations and of SEBI/Exchange w.r.t. sharing of Brokerage, account opening, inducement to trade, sales practices, orders placement etc. issued from time to time.

Stock Brokers / Trading Members shall frame an internal policy w.r.t. quantum/maximum limit on the incentive to be provided to the referring person in line with the aforementioned guidelines. Such policy shall be duly approved by its Board (in case of corporate Stock Broker / Trading Member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) as the case may be. Stock Brokers / Trading Members shall take adequate steps to review and monitor the adherence to the said policy on a regular basis, at such intervals not later than one year.

Authorised Persons, SEBI registered Portfolio Managers and Investment advisors shall continue to be governed by the existing regulatory provisions including any changes issued from time to time.

Stock Broker / Trading Member is advised to adhere to the above guidelines while offering such incentives/referral schemes. Any existing schemes which are not in compliance with the aforesaid guidelines, should be withdrawn immediately or suitably modified immediately to comply with the aforesaid guidelines.

4.18 Increasing awareness on Rights Entitlement (RE)

In accordance with Exchange Circular Reference No. NSE/INSP/47782 dated March 25, 2021, Stock Brokers / Trading Members have been advised to inform all their clients about the commencement of trading in REs mentioning the ISIN of the RE and that the same shall not be mistaken for ordinary shares of the concerned company. Additionally, Stock Brokers / Trading Members shall also include a disclaimer text prominently in the contract notes containing purchase of REs informing the Clients that the purchase of REs only gives them the right to participate in the ongoing Rights Issue of the concerned company by making an application with requisite application money or renounce the REs before the issue closes. REs which are neither subscribed by making an application with requisite application money nor renounced, on or before the Issue closing date shall lapse and shall be extinguished after the Issue closing date.

4.19 Creating Investor Awareness and safeguarding clients' assets

In accordance with Exchange Circular Reference No. NSE/INSP/49434 dated August 27, 2021, Stock Brokers / Trading Members have been advised to regularly caution and create awareness amongst their clients/investors to abstain them from dealing in any schemes of unauthorised collective investments/portfolio management, indicative/ guaranteed/fixed returns / payments etc. Stock Brokers / Trading Members were also advised to display the messages as prescribed in the aforementioned circular) on their respective websites under a separate banner "Advisory for investors".

4.20 Submission of undertaking pursuant to Standard Operating Procedure in the cases of Trading Member leading to default

SEBI vide paragraph 76 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, and Exchange vide Circular Reference No. NSE/INSP44855 dated July 02, 2020, have issued "Standard Operating Procedure in the cases of Trading Member /Clearing Member leading to default".

In accordance with paragraph 76.8 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, all Stock Brokers / Trading Members are advised to provide a list of all its bank accounts along with an undertaking enabling the Exchange/CC to instruct the bank(s) of the Stock Brokers / Trading Members to freeze the bank account(s) for debits in the cases the Stock Brokers / Trading Members / Clearing Member leading to default.

Further, Stock Brokers / Trading Members are requested to note that for all new bank accounts, Stock Brokers / Trading Members are required to submit the additional undertaking within seven days of the opening of the account through the inspection module.

4.21 Unauthorised Market Practices by Stock Brokers / Trading Members

Exchange vide Circular Reference No. NSE/INSP/51770 dated March 25, 2022, highlighted that certain practices followed by Stock Brokers / Trading Members are not in compliance with the relevant guidelines issued by the Exchange. Below are some of the market practices, that

have come to the notice of the Exchange and Stock Brokers / Trading Members are advised to refrain from engaging in such practices.

- a) **Incentives/referral schemes:** It has come to the notice of the Exchange that Stock Brokers / Trading Members are running schemes such as sponsoring/funding ETF units for the opening of trading accounts. Stock Brokers / Trading Members are also offering cashback to clients acquired through referral by partnering with the third-party digital payment applications as an incentive for opening a trading account with them. Acquisition of clients by offering such incentives/ schemes is against the spirit of guidelines issued by Exchange, and any pattern observed in this regard will be liable for disciplinary action. Stock Brokers / Trading Members are hereby advised to refrain from such practices, and trading accounts opened through client referral strictly complied with Exchange Circular No. NSE/INSP/43824 dated March 11, 2020. Client shall not be subjected to any kind of trade inducement (including generating trade calls through the Interactive Voice Response (IVR) system) and shall ensure that all instructions for placement of orders are obtained from the respective client only.
- b) **Issue of advertisements:** It is noted that Stock Brokers / Trading Members are increasingly using influencers to promote their business, products/services/brokerage plans etc., including undertaking brand promotion. Stock Brokers / Trading Members are hereby advised to undertake adequate due diligence to ensure that the content used by the influencer strictly adheres to the code of advertisement prescribed by the Exchange vide Circular no. NSE/COM/49888 dated October 8, 2021. Further, advertisements/promotional campaigns issued by the Stock Brokers / Trading Members should not promote or incentivize trading in specific securities/contracts which will have the effect of inducement to the clients.
- c) **Inactive accounts:** Stock Brokers / Trading Members are required to flag the client account as “inactive” if there are no transaction in the client account for a period of 24 months. It has come to the notice of the Exchange that Stock Brokers / Trading Members are urging clients to execute trades in their account to prevent accounts from being flagged as inactive. Hence, Stock Brokers / Trading Members must refrain from undertaking any activity including sending oral or written business communications to clients, inducing the clients to execute trades in their account for the sole purpose of keeping the account active.
- d) **Client registration documents:** The current regulatory requirements stipulate mandatory collection of additional documents related to financial details of the clients in case of trading in derivative segments, which includes a copy of the demat account holding statement of the client. In this regard, Stock Brokers / Trading Members are required to ensure adequate due diligence to ensure that the demat account holding statement reflects satisfactory financial position of the client before allowing them to trade in derivatives segment.
- e) **Assured Return Schemes/ Unauthorised Portfolio Management Service:** It has also come to the notice of the Exchange that certain Stock Brokers / Trading Members were

engaging in activities/schemes of fixed / periodic payments, which are not permitted under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges. It is reiterated that Stock Brokers / Trading Members are not permitted to undertake any business/activity that is not allowed 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/payments etc.

Stock Brokers / Trading Members are advised to refrain from engaging in any practice that is against the spirit of the guidelines issued by SEBI/Exchange. Further, Stock Brokers / Trading Members are advised to put in place adequate mechanisms to have oversight on the activities of their associates, authorised persons and take necessary action if any irregularity is observed. Non-adherence to the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges will be viewed very seriously. The Stock Broker / Trading Member will be liable for strict disciplinary action, if the Stock Broker / Trading Member is observed to be engaging in unauthorised market practices either directly or through its Authorised person(s) and/or their Directors/Partners, employees etc.

4.22 Precautions for clients dealing in Options

Exchange vide Circulars Reference No. NSE/INSP/51770 dated March 25, 2022 and NSE/INSP/52900 dated July 06, 2022, reiterated that Stock Brokers / Trading Members are to carry out due diligence to ensure that evidence of financial information / income details reflecting the satisfactory financial position of the client are collected before onboarding the clients for trading in derivatives. Stock Brokers / Trading Members are also advised to monitor whether the trading activity of their clients in the derivatives segment, particularly in Options, is in proportion to their income / net worth.

Further, Stock Brokers / Trading Members have been advised to regularly caution and create awareness amongst their clients/investors at least once in a fortnight through email and also display the same on their websites to sensitize them to avoid practices like:

- a) Sharing of trading credentials – login id & passwords including OTP's.
- b) Trading in leveraged products like options without proper understanding, which could lead to losses
- c) Writing/ selling options or trading in option strategies based on tips, without basic knowledge & understanding of the product and its risks
- d) Dealing in unsolicited tips through WhatsApp, Telegram, YouTube, Facebook, SMS, calls, etc.
- e) Trading in "Options" based on recommendations from unauthorised / unregistered investment advisors and influencers.

Stock Brokers / Trading Members are also advised to regularly look for various unsolicited messages/unauthorised practices being circulated in the market and take appropriate action against the individual/person/entity in case the details such as names, phone numbers, email ids appearing in the said messages are matching with the records of their employees, authorised persons and clients. Stock Brokers / Trading Members are also advised to take appropriate actions on the individuals/entities using their name/brand/logo and engaging in unauthorised market practices. Stock Brokers / Trading Members are advised to refrain from engaging in any practice that is against the spirit of the guidelines issued by SEBI/Exchange.

4.23 Early Pay-in of funds

Clearing corporations have provided a facility for early pay-in of funds to avail margin benefit and laid down the procedure for making EPI of funds and allocation of early pay-in of funds at client level or client-security level. In this regard, Stock Brokers / Trading Members are advised that, in cases where clients have made an early pay-in of funds, the Stock Broker / Trading Member shall also mandatorily make an early pay-in of funds to the clearing corporation. Further, an intimation shall be sent to the client by SMS and Email on the registered mobile number and email id, upon successful early pay-in of funds.

4.24 Upstreaming of clients' funds by Stock Brokers (SBs)/Clearing Members (CMs) to Clearing Corporations

SEBI vide paragraph 93 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 has prescribed guidelines with respect to upstreaming of clients' funds.

The relevant key features of the Upstreaming Guidelines are set out below:

- (1) SBs/CMs shall upstream all the clients' clear credit balances to CCs on End of Day (EOD) basis. Such upstreaming shall be done only in the form of either cash, lien on Fixed Deposit Receipts (FDRs) created out of clients' funds, or pledge of units of Mutual Fund Overnight Schemes (MFOS) created out of clients' funds.
- (2) The nomenclature of existing designated client bank accounts which TM/CMs use to receive from their clients shall be changed to *Upstreaming Client Nodal Bank Account (USCNBA)*. Similarly, the nomenclature of existing designated client bank accounts from which TM/CMs use to pay funds to their clients shall be changed to *Downstreaming Client Nodal Bank Account (DSCNBA)*. In addition, CMs, who clear trades for other stock brokers, shall only use designated bank account(s) maintained with the nomenclature "Name of the CM – TM prop account" to receive/pay proprietary funds from/to stock brokers. Further, SBs/CMs shall maintain a dedicated demat account (hereinafter referred to as "Client Nodal MFOS Account") for subscription/ redemption of MFOS units. The depositories shall allow subscription/redemption transactions only in the said account.
- (3) The clients may request release of funds to TM/CMs at any time during the day. The processing of such release requests shall be in accordance with the risk management

practices of the TM/CM. All payment requests of the client received on a day shall be processed on or before the next settlement day. In cases, where the payment request is not processed on the same day, SB/CMs need to ensure that the funds of the client are placed with CC in terms of the Upstreaming Guidelines.

- (4) The bank instruments provided by clients as collateral (i.e. client FDRs and BGs) cannot be upstreamed to CCs, and they shall be ineligible to be accepted as collateral in any segment of securities market. However, it has been decided to allow BGs provided only by non-individual clients, as margins, specifically for commodities segment based on certain terms and conditions.
- (5) The cut-off times for upstreaming of clear credit balance of clients shall be determined by the CCs in consultation with Broker's Industry Standards Forum. Any clear credit balance that could not be upstreamed to CCs due to receipt of funds from clients beyond cut-off time shall necessarily remain in UNSCBA until it is upstreamed to CC on the next day.
- (6) The provisions of the Upstreaming Guidelines are not applicable to bank-CMs (including Custodians that are banks), and for proprietary funds of SBs/CMs in any segment and SB's proprietary funds deposited with CM in the capacity of a client.

Exchange, vide Circulars Reference No. NSE/INSP/57250 dated June 22, 2023, NSE/INSP/57959 dated August 11, 2023, NSE/INSP/58146 dated August 29, 2023, and NSE/INSP/60369 dated January 20, 2024, has issued guidelines/ clarifications on the subject in the form of FAQs and Operational guidelines and SOP on Upstreaming of clients' funds by Stock Brokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs). The Operational Guidelines are enclosed as **Exhibit 33**.

4.25 Display of Details of USC NBA on Website

With a view to bring more transparency in the dealings between the clients and the stock brokers and for the purpose of investor awareness, Stock Brokers / Trading Members are advised to display details of all their active *Up streaming Client Nodal Bank Account (USCNBA)* on their website. Details of USC NBAs to be displayed on website shall include Name of Bank Account, Bank Account number and IFSC along with following note:

"Investors are requested to note that Stock broker (name of stock broker) is permitted to receive money from investor through designated bank accounts only named as Up streaming Client Nodal Bank Account (USCNBA). Stock broker (name of stock broker) is also required to disclose these USC NB accounts to Stock Exchange. Hence, you are requested to use following USC NB accounts only for the purpose of dealings in your trading account with us. The details of these USC NB accounts are also displayed by Stock Exchanges on their website under "Know/ Locate your Stock Broker."

Further, based on the details of Bank accounts provided by Stock Broker / Trading Member under Enhanced Supervision, Exchange shall also display the details of USCNBA of Stock Broker / Trading Member on Exchange's website under "Know/ Locate your Stock Broker".

4.26 **Administrative actions for misuse of client funds**

Vide Circular Reference No. NSE/INSP/57097 dated June 13, 2023, in order to initiate immediate actions in critical cases where misuse of client funds is observed, following administrative actions shall be taken by the Exchange w.e.f. September 01, 2023:

Details of contravention	Administrative Action (s)
<p>Misuse of client funds in any of the Principles of Enhanced Supervision</p> <p>(Highest shortfall observed on a single day in a calendar month for more than Rs.25 lakhs)</p>	<p>i. The proprietary deposits/collaterals of the Stock Broker / Trading Member available with Clearing Corporation⁷ shall be blocked to the extent of the shortfall/misuse amount or Rs.10 crores, whichever is lower.</p> <p>ii. In case misuse is observed in all principles, amount equivalent to aggregate amount of all principles, shall be blocked.</p> <p>iii. Proprietary deposits/collaterals shall be blocked after 2 trading days from the date of communication of the direction regarding the blocking of such deposits/collaterals to the Stock Broker / Trading Member.</p> <p>iv. Such deposits/collaterals shall be blocked for a period of 10 days.</p> <p>v. No exposure will be granted to the Stock Broker / Trading Member on such deposits/collaterals.</p>

Such administrative actions shall be in addition to the existing disciplinary actions/penalties prescribed in Exchange Circular Reference No. NSE/INSP/53530 dated September 2, 2022, for misuse of client funds.

⁷ In view of implementation of Interoperability "NCL" is substituted with "Clearing Corporations"

4.27 Bank Guarantees (BGs) created out of clients' funds

SEBI vide paragraph 92 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 and Exchange has issued Circular Reference No. NSE/INSP/56489 dated April 25, 2023 wherein creation of BG out of clients' funds has been prohibited as under:

- a. Beginning May 01, 2023, no new BGs to be created out of clients' funds by SBs/CMs.
- b. Existing BGs created out of clients' funds to be wound down by September 30, 2023.

In view of the above, Stock Brokers / Trading Members cannot create BG out of clients' funds and accordingly, value of any BG including BG created out of Stock Broker' / Trading Members' own funds cannot be considered for the computation of availability of client payables effective from October 01, 2023.

Since Stock Broker/ Trading Member cannot create BG out of clients' funds as per aforesaid circulars, value of any BG including BG created out of Stock Brokers' / Trading Members' own funds cannot be considered for the computation of availability of client payables effective from October 01, 2023. Further, as per paragraph 92.3 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, Stock Brokers / Trading Members were required to report breakup of BG placed as collateral with clearing members on a periodic basis. In view of the same, for the purpose of reporting of BG details, Exchange vide Circular Reference No. NSE/INSP/56839 dated May 26, 2023, clarified following points as under:

- a) Stock Brokers / Trading Members shall be required to report details of Bank guarantee breakup on weekly basis.
- b) Reporting requirement shall be effective from May 27, 2023 and first submission of this data shall be for the week ended May 27, 2023 to be submitted by next trading day of following week i.e. by May 29, 2023 and for every week thereafter. Data shall be reported for Saturday of each week.
- c) The reporting requirement shall apply to those Stock Brokers / Trading Members who have created BG in favor of their Clearing Member. The Stock Broker / Trading Member shall not report BG created in favor of clearing corporation.
- d) The reporting requirement is not applicable to Stock Brokers / Trading Members who are self-clearing member as they are required to report to their respective clearing corporation as per the applicable guidelines of the respective clearing corporation e.g. If member is a trading and self-clearing member in CM segment and only Stock Broker / Trading Member in FO segment, then Stock Broker / Trading Member shall report BGs for FO segment only which are in favor of clearing member.
- e) The reporting requirement shall not apply to Stock Brokers / Trading Members who do not have Bank Guarantees in favor of clearing members. However, such Stock Brokers / Trading Members shall provide one time declaration to Exchange.

Reporting format for submitting the BG breakup to the Exchange has also been prescribed.

Further, based on representations received from Members, clarifications/guidelines on the subject in the form of FAQs are attached as **Exhibit 34**.

4.28 Facility of voluntary freezing/ blocking of Trading Accounts by Clients

In accordance with paragraph 49 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 and Exchange vide Circular Reference No. NSE/INSP/61529 dated April 08, 2024, the framework for Stock Brokers / Trading Members to provide the facility of voluntary freezing/blocking the online access of the trading account to their clients on account of suspicious activities is enclosed as **Exhibit 35**.

As per SEBI Circular, the Stock Brokers / Trading Members shall frame a policy in line with the above mentioned framework, which shall be the part of the Stock Broker's / Trading Member's Risk Management Policy. The Stock Brokers / Trading Members shall disclose on their website, the above policy along with the process and mode(s) through which the client can place the request to freeze / block & unfreeze / unblock the trading account along with the timelines that will be followed by the Stock Brokers / Trading Members for the same.

With respect to new clients onboarded with effect from July 01, 2024, the policy so framed in line with the above mentioned framework shall form part of account opening kit.

Further, with respect to the existing clients, the aforesaid policy so framed by the Stock Brokers / Trading Members was required to be communicated by July 01, 2024, via email or any other suitable mechanism which can be preserved. In case if communication gets bounced/undelivered, the same had to be communicated through alternate channels to such clients. Other suitable mechanism may include physical delivery/SMS/electronic instant messaging services after adhering with the safeguards prescribed under Exchange Circular NSE/INSP/52604 dated June 10, 2022, on Issuance of Electronic Contract Notes (ECN) through SMS/electronic instant messaging services.

In this regard, all the Exchanges jointly formulated a penalty structure for any non-compliance. Exchange vide Circular Reference No. NSE/INSP/63444 dated August 16, 2024 has advised Stock Brokers / Trading Members to note the penalty structure in case of any non-compliance, enclosed as **Exhibit 36**.

The Exchange has vide Circular Reference No. NSE/INSP/62822 dated July 05, 2024, has made necessary provision in "ENIT New Compliance" to submit the status of compliance by the Members to the above-mentioned requirements and procedure for submission of the same has been explained in user manual enclosed as **Exhibit 37**.

4.29 Trading Supported by Blocked Amount in Secondary Market

SEBI vide paragraph 25 of Chapter 1 of the SECC Master Circular dated October 16, 2023 provided the framework for "Trading Supported by Blocked Amount in Secondary Market" to

introduce supplementary process for trading in secondary market based on blocked funds in investor's bank account, instead of transferring them upfront to the Stock Broker / Trading Member, thereby providing enhanced protection of cash collateral. The facility of trading using UPI block mechanism was introduced as a non-mandatory facility to be provided by the stock brokers.

Further, as per SEBI Circular Reference No. SEBI/HO/MRD-PoD2/CIR/P/2024/153 dated November 11, 2024, Qualified Stock Brokers (QSBs) shall provide either the facility of trading supported by blocked amount in the secondary market (cash segment) using UPI block mechanism or the 3-in-1 trading account facility, to their clients with effect from February 01, 2025.

The clients of the QSBs will have the option, to either continue with the existing facility of trading by transferring funds to TMs or opt for UPI block mechanism/ 3-in-1 Trading Account facility. A copy of the SEBI circular is enclosed as **Exhibit 38**.

4.30 Policy on Handling of Good Till Cancelled Orders

It has been observed that certain Stock Brokers / Trading Members offer Good Till Cancelled/Good Till Triggered orders or orders of similar type to their clients that enables clients to place buying and selling orders by specifying the price and also the time frame for which an order would remain valid for placing on the Exchange platform.

In case of corporate actions, such orders could lead to absurd trades and investors are at risk of facing losses. Since the aforesaid types of orders are offered by Stock Brokers / Trading Members, mechanism for handling such orders varies from Stock Broker / Trading Member to Stock Broker / Trading Member. In case of a corporate action, while certain Stock Brokers / Trading Members cancel such orders, other brokers do not cancel the same.

In view of the above, it has been decided by the Exchange vide Circular Reference No. NSE/INSP/62528 dated June 21, 2024 that the Stock Brokers / Trading Members, who offer Good Till Cancelled/Good Till Triggered orders or orders of similar type, shall formulate a policy for the same. The policy shall include:

1. Details of Good Till Cancelled/Good Till Triggered/orders of similar type provided by Stock Broker / Trading Member including its validity.
2. Manner of handling of such orders in case of corporate actions (e.g. cancellation, price reset, retaining, etc. for the unexecuted orders).
3. Provide timeline within which the Stock Broker / Trading Member shall intimate their clients about details of upcoming corporate actions applicable for such unexecuted orders of clients, which shall not be later than one day prior to the ex-date of the corporate action.

4. Further, the said policy shall be made part of the Account Opening Form / Kit under heading “Policy on Handling of Good Till Cancelled Orders of Client” of Policy and Procedures document and the Stock Broker / Trading Member shall also make available the said policy to their clients by displaying the same on their website / trading application, if any.
5. Exchange vide Circular Reference No. NSE/INSP/63789 dated September 06, 2024 have requested Stock Brokers / Trading Members to note that with respect to new clients onboarded from December 01, 2024 onwards, the aforesaid policy shall be required to be acknowledged i.e., duly signed by the client. Further, members have also been requested to note that the aforesaid policy shall be informed by members to their existing clients by December 01, 2024, via email or any other suitable mechanism which can be preserved. In case if communication gets bounced/undelivered, the same shall be communicated through alternate channels to such clients. Other suitable mechanism may include physical delivery/SMS/electronic instant messaging services after adhering with the safeguards prescribed under Exchange Circular Reference No. NSE/INSP/52604 dated June 10, 2022, on Issuance of Electronic Contract Notes (ECN) through SMS/electronic instant messaging services.

4.31 Enhanced Supervision of stockbrokers⁸

SEBI vide paragraph 15 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 and Exchange vide Circulars Reference No. NSE/INSP/35412 dated July 20, 2017, NSE/INSP/44459 dated May 26, 2020, NSE/INSP/50012 dated October 19, 2021, NSE/INSP/50901 dated January 04, 2022, NSE/INSP/51056 dated January 18, 2022, NSE/INSP/52724 dated June 24, 2022 and NSE/INSP/60283 dated January 16, 2024, prescribed the legal framework governing Enhanced Supervision of Stock Brokers.

Exchange vide Circular Reference No. NSE/INSP/61508 dated April 05, 2024 draws the attention of the Stock Brokers / Trading Members to the SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/03 dated January 12, 2024, on Subject "Ease of doing business-Changes in reporting". In accordance with point number 5(b) of aforesaid SEBI Circular, Operational guidelines and SOP for monitoring the implementation of provisions of aforesaid circular framed by Broker's Industry Standards Forum (ISF) and relevant stakeholders in consultation with SEBI are enclosed herewith as **Exhibit 39**.

Further, on account of discontinuation of reporting of bank account balances to Exchange, Members have been requested to note that it shall be their responsibility to ensure that their Banks submit daily Bank balances on T+1 basis to Exchange for the purpose of enhanced supervision guidelines.

⁸ Submission of data towards Monitoring of client funds under Enhanced Supervision has been discontinued vide SEBI Circular Reference No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/03 dated January 12, 2024.

4.32 Post trade allocation of INST trades

It has been observed by Exchange that some Stock Brokers / Trading Members are executing Institutional trades under one category of client/s, however, while OTR allocation of same trades to Clearing Corporation, allocations are done under different category of client/s. Exchange vide Circular Reference No. NSE/INSP/66808 dated February 21, 2025, advised Stock Brokers / Trading Members to desist from following such practices, failing to do so shall attract disciplinary action.

REGULATORY REQUIREMENTS/ REFERENCES

1	Mode of payment and delivery	Circular No. NSE/INSP/2003/21, download Ref. No: NSE/INSP/4377 Dated: 1st September 2003, SEBI Circular SEBI/HO/MIRSD/DOP/CIR/P/2018/113 dated July 12, 2018, Download Ref. NSE/INSP/38322 July 13, 2018, SEBI Circular SEBI/HO/MIRSD/DoP/P/CIR/2022/119 dated September 19, 2022, Exchange download Ref. No: NSE/INSP/53756 dated September 20, 2022, Exchange download Ref. No: NSE/INSP/54365 dated November 10, 2022; SEBI Circular No. SEBI/HO/MIRSD/DoP/P/CIR/2022/162 dated November 25, 2022, Exchange download Ref. No: NSE/INSP/54618 dated November 25, 2022 and SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024.
2	Pay-out of securities directly to client demat account	Download Ref. No. NSE/INSP/63885 dated September 11, 2024; Download Ref. No. NSE/INSP/64381 dated October 4, 2024; Download Ref. No. NSE/INSP/64996 dated November 08, 2024 and NSE/INSP/66759 dated February 20, 2025.
3	Receipt of funds in the form of Pre-funded instruments / Electronic fund transfers	SEBI Circular CIR/MIRSD/03/2011 dated June 9, 2011; Download Ref. No: NSE/INSP/18024, Circular No. NSE/INSP/2011/118 June 09, 2011; SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024
4	Settlement of Running Account of Clients' Funds	SEBI Circular SEBI/MIRSD/Cir/01/2011 dated May 13, 2011; Circular No. NSE/INSP/2011/117 download Ref. No: NSE/INSP/17781 May 13, 2011; SEBI Circular MIRSD/ SE /Cir-19/2009 dated 3rd December, 2009, Exchange Download Ref. No: NSE/INSP/13606, Exchange Circular No. NSE/INSP/2009/85 dated 3rd December, 2009, Download Ref. No: NSE/INSP/14048, Circular No. NSE/INSP/2010/91 dated 3rd February, 2010 and Download Ref. No: NSE/INSP/15008, Exchange Circular No. NSE/INSP/2010/101 June 17, 2010; Download Ref. No.: NSE/INSP/21651; Circular Ref No.: 144/2012 dated September 07, 2012; Download Ref. No.: NSE/INSP/24849; Circular Ref No.: 169/2013 dated October 29, 2013 Download Ref. No.: NSE/INSP/29096; Circular Ref No.: 223/ 2015 dated March 11, 2015; Download Ref No: NSE/INSP/43250, Circular Ref. No: 03/2020 dated January 16, 2020; Download Ref No: NSE/INSP/44459, Circular Ref. No: 32/2020 dated May 26, 2020; SEBI Circular No. SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021, Download Ref No: NSE/INSP/48624, Circular Ref. No: 30/2021

		dated June 16, 2021 and Download Ref No: NSE/INSP/51830 dated March 31, 2022, SEBI Circular No: SEBI/HO/MIRSD/DOP/P/CIR/2022/101 dated July 27, 2022, Download Ref No: NSE/INSP/53115 dated July 27, 2022, , NSE/INSP/55135 dated NSE/INSP/55135 and NSE/INSP/56148 dated March 27, 2023; NSE/INSP/56261 dated April 03, 2023; SEBI Circular SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2023/197 dated December 28, 2023, Download Ref No: NSE/INSP/53820, Circular Ref. No: 66/2022 dated September 23, 2022; Download Ref. No. NSE/INSP/61904 dated May 06, 2024; Download Ref. No. NSE/INSP/65698 dated December 19, 2024; Download Ref No: NSE/INSP/67207 dated March 20, 2025; SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024.
5	Annual Calendar and Operational Guidelines for Settlement of Running Account of clients' funds lying with the Trading members	Download Ref No: NSE/INSP/67207 dated March 20, 2025; and SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024.
6	Statement of Accounts for Funds, Securities and Commodities	Circular no. NSEIL/LEGAL/3401, download reference no. NSE/LEGL/3401 dated May 22, 2002; Circular no. NSEIL/LEGAL/7410, download reference no. NSE/LEGL/7410 dated April 21, 2006; SEBI Circular No. Cir/MIRSD/9/2010 dated November 4, 2010, Exchange Download Ref. No: NSE/INSP/16242, Exchange Circular No. NSE/INSP/2010/107 dated 8th November 2010; SEBI Circular SEBI/MIRSD/Cir/01/2011 dated May 13, 2011; Circular No. NSE/INSP/2011/117 download Ref. No: NSE/INSP/17781 May 13, 2011, Download Ref No: NSE/INSP/47227, Circular Ref. No: 05/2021 dated February 03, 2021 Circular no. NSEIL/INSP/12, download reference no. NSE/INSP/3525 dated 29th July 2002; Download Ref. No: NSE/INSP/13606, Circular No. NSE/INSP/2009/85 dated December 03, 2009 and Download Ref. No: NSE/INSP/14048, Circular No. NSE/INSP/2010/91 dated February 03, 2010; Download Ref No: NSE/INSP/47227, Circular Ref. No: 05/2021 dated February 03, 2021; Download Ref No: NSE/INSP/48431, Circular Ref. No: 29/2021 dated May 28, 2021;
7	Financing of securities transactions	Circular no. NSE/INSP/2005/42, Download reference no. NSE/INSP/6938 Dated 9th December 2005 Download Ref No: NSE/INSP/47278, Circular Ref. No: 07/2021 dated February 09, 2021; Download Ref. No. NSE/INSP/62793 dated July 04, 2024.

8	Clarifications on funding in connection with / incidental to /consequential upon the securities business	Download Ref. No.: NSE/INSP/20638; Circular Ref No.: 136/ 2012 dated April 26, 2012. Download Ref. No.: NSE/INSP/29662; Circular Ref No.: 232/ 2015 dated May 08, 2015 SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 September 26, 2016 Circular Ref. No: 338/2018, Download Ref. No. NSE/INSP/38945 dated September 24, 2018 Circular Ref. No: 24/2019, Download Ref. No. NSE/INSP/41842 dated August 13, 2019
9	Handling of client funds and securities	SEBI Circular SMD/SED/CIR/93/23321 dated November 18, 1993 SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 September 26, 2016 SEBI Circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019, Circular Ref. No: 17/2019, Download Ref No: NSE/INSP/41359 dated June 20, 2019 Download Ref No: NSE/INSP/42052, Circular Ref. No: 27/2019 dated September 04, 2019 Download Ref No: NSE/INSP/47619, Circular Ref. No: 10/2021 dated March 12, 2021 SEBI Circular No. SEBI/HO/MRD2_DCAP/CIR/2021/0598 dated July 20, 2021, Download Ref. No.: NSE/INSP/49008, Circular Ref. No.: 36/2021 dated July 20, 2021, Download Ref. No : NSE/INSP/46729, Circular No. : 77/2020 dated December 18, 2020. SEBI Circular No. SEBI/HO/MIRSD/DOP/P/CIR/2021/59 dated July 16, 2021 and SEBI Circular No. SEBI/HO/MIRSD/DoP/P/CIR/2022/109 dated August 18, 2022; SEBI Circular No: SEBI/HO/MIRSD/DoP/P/CIR/2022/143 dated October 27, 2022, Download Ref. No.: NSE/INSP/54238 dated October 28, 2022. SEBI Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153 dated November 11, 2022, Download Ref. No.: NSE/INSP/54390 dated November 11, 2022, Download Ref. No. NSE/INSP/61507 dated April 05, 2024, Download Ref. No. NSE/INSP/64053 dated September 20, 2024, SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024
10	Pledging of client securities	SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 September 26, 2016 SEBI Circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019, Circular Ref. No: 17/2019, Download Ref No: NSE/INSP/41359 dated June 20, 2019, Download Ref No: NSE/INSP/42052, Circular Ref. No: 27/2019 dated September 04, 2019, Download Ref. No. NSE/INSP/61507 dated April 05, 2024
11	E-mail and SMS alerts to Investors	Download Ref. No.: NSE/INSP/27339; Circular Ref No.: 193/ 2014 dated August 12, 2015. Download Ref. No.: NSE/INSP/27368; Circular Ref No.: 194/ 2014 dated August 18,

		2014. Download Ref. No.: NSE/INSP/27436; Circular Ref No.: 196/ 2014 dated August 26, 2014 Download Ref. No.: NSE/INSP/27494; Circular Ref No.: 197/ 2014 dated September 2, 2014; Circular Ref No.: 279/ 2016 dated May 31, 2016; Download Ref. No.: NSE/INSP/65679; dated December 19, 2024; SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024.
12	Centralized Mechanism for reporting the demise of an investor through KRAs	Download Ref. No.: SEBI Circular No. SEBI/HO/OIAE/OIAE_IAD-1/P/CIR/2023/0000000163 dated October 03, 2023;
13	Timelines for Closure of financial accounts under Rule 114H 8 of the income Tax rules, 1962 under alternative procedure of FATCA	Download Ref. No.: NSE/INSP/34660 dated April 17, 2017
14	Prevention of Unauthorised Trading by Stock Brokers	Download Ref. No.: NSE/INSP/35929 dated September 27, 2017 SEBI Circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017, SEBI Circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/124 dated November 30, 2017, SEBI Circular CIR/HO/MIRSD/MIRSD2/CIR/P/2018/09 dated January 11, 2018, SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018, Download Ref. No.: NSE/INSP/37301 dated March 26, 2018, Exchange Circular Download Ref. No.: NSE/INSP/6938 dated December 09, 2005; Exchange Circular Download Ref. No.: NSE/INSP/47278 dated February 09, 2021; Exchange Circular Download Ref. No.: NSE/INSP/52888 dated July 05, 2022; Exchange Circular Download Ref. No.: NSE/INSP/62793 dated July 04, 2024; Download Ref. No. NSE/ISC/66828 dated February 25, 2025; SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024.
15	Issuance of Annual Global Statement	Download Ref. No.: NSE/INSP/36731 dated January 11, 2018
16	Discontinuation of acceptance of cash by Stock Brokers	Download Ref. No.: NSE/INSP/38322 dated July 13, 2018; SEBI/HO/MIRSD/DOP/CIR/P/2018/113 dated July 12, 2018

17	Clarification on physically settled Stock Derivatives	Circular No. SEBI/HO/MRD/DP/CIR/P/2018/67 dated April 11, 2018; Circular No. SEBI/HO/MRD/DOP1/CIR/P/2018/161 dated December 31, 2018; Circular No. SEBI/HO/MRD/DOP1/CIR/P/2019/28 dated February 08, 2019; Download Ref. No.: NSE/INSP/38433 dated July 27, 2018 Download Ref No: NSE/INSP/47293, Circular Ref. No: 08/2021 dated February 10, 2021; SEBI Circular No. SEBI/HO/MRD-PoD2/CIR/P/2024/00181 dated December 30, 2024
18	Participation of Eligible Foreign Entities (EFEs) in the commodity derivatives market	Download Ref. No.: NSE/INSP/39227
19	Clarification on incentives/referral schemes	Download Ref No: NSE/INSP/43029, Circular Ref. No: 49/2019 dated December 26, 2019 Download Ref No: NSE/INSP/43824, Circular Ref. No: 14/2020 dated March 11, 2020; Download Ref. No. NSE/INSP/63425 dated August 14, 2024; Download Ref. No. NSE/INSP/66284 dated January 24, 2025.
20	Increasing awareness on Rights Entitlement	SEBI Circular SEBI/HO/CFD/DIL2/CIR/P/2020/13 dated January 22, 2020 Download Ref. No.: NSE/INSP/47782, Circular Ref. No.: 13/2021 dated March 25, 2021
21	Creating investor awareness and safeguarding clients' assets	Download Ref No: NSE/INSP/49434, Circular Ref. No: 45/2021 dated August 27, 2021
22	Submission of undertaking pursuant to Standard Operating Procedure in the cases of Trading Member leading to default	SEBI Circular No. SEBI/HO/MIRSD/DPIEA/CIR/P/2020/115 dated July 01, 2020, and Exchange Circular NSE/INSP44855 dated July 02, 2020 Download Ref No: NSE/INSP/45626 dated September 07, 2020; SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024
23	Unauthorised Market Practices by Trading Members	Download ref no: NSE/INSP/51770 dated March 25, 2022; Download ref. no. NSE/INSP/61754 dated April 25, 2024.
24	Precautions for clients dealing in Options	Download ref no: NSE/INSP/52900 dated July 06, 2022
25	Early Pay-in of funds	Download ref no: NSE/INSP/55401 dated January 27, 2023.
26	Upstreaming of clients' funds by Stock Brokers/ Clearing Members/ Clearing Corporations	Download ref. no.: SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/84 dated June 08, 2023; SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/110 dated June 30, 2023; SEBI; Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/187 dated

		December 12, 2023; Exchange Circular NSE/INSP/57250 dated June 22, 2023; NSE/INSP/57959 dated August 11, 2023, NSE/INSP/58146 dated August 29, 2023 NSE/INSP/60369 dated January 20, 2024; SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024.
27	Display of Details of USC NBA on Website	Download ref no: NSE/INSP/55402 dated January 27, 2023.
28	Administrative actions for misuse of client funds	Download ref. no.: Exchange Circular NSE/INSP/57097 dated June 13, 2023; Circular No. NSE/INSP/53530 dated September 2, 2022
29	Bank Guarantees created out of clients' funds	Download ref. no.: SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/061 dated April 25, 2023; Exchange Circular NSE/INSP/56489 dated April 25, 2023; SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024.
30	Facility of voluntary freezing/ blocking of Trading Accounts by Client	Download ref. no.: SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 dated January 12, 2024; Exchange Circular Download Ref. No.: NSE/INSP/60277 dated January 16, 2024; Download Ref. No.: NSE/INSP/61529 dated April 08, 2024; Download Ref. No.: NSE/INSP/62822 dated July 05, 2024; Download Ref. No.: NSE/INSP/63444 dated August 16, 2024.
31	Trading Supported by Blocked Amount in Secondary Market	Download ref. no.: SEBI/HO/MRD-PoD2/CIR/P/2024/00181 dated December 30, 2024
32	Policy on Handling of Good Till Cancelled Orders	Download Ref. No.: NSE/INSP/62528 dated June 21, 2024; Download Ref. No.: NSE/INSP/63789 dated September 06, 2024.
33	Operational Guidelines and SOP for Monitoring of client funds under Enhanced Supervision	Download Ref. No.: NSE/INSP/61508 dated April 05, 2024; SEBI Circular No. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016; SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/03 dated January 12, 2024; Exchange Circular NSE/INSP/35412 dated July 20, 2017; Exchange Circular NSE/INSP/37580 dated April 20, 2018; Exchange Circular NSE/INSP/44459 dated May 26, 2020; Exchange Circular NSE/INSP/50012 dated October 19, 2021; Exchange Circular NSE/INSP/50901 dated January 04, 2022; Exchange Circular NSE/INSP/51056 dated January 18, 2022; Exchange Circular NSE/INSP/52724 dated June 24, 2022 and Exchange Circular NSE/INSP/60283 dated January 16, 2024.
34	Enhanced Supervision of Stockbrokers	SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016

		<p>Download Ref. No.: NSE/INSP/33276; dated September 27, 2016 ; NSE/INSP/33861 dated December 21, 2016</p> <p>NSE/INSP/35184 dated June 23, 2017; NSE/INSP/35412 dated July 20, 2017</p> <p>SEBI Circular SEBI/HO/MIRSD/DOP/CIR/P/2018/153 dated December 17, 2018,</p> <p>Download Ref No: NSE/INSP/39731, Circular Ref. No: 352/2018 dated December 21, 2018</p> <p>Download Ref No: NSE/INSP/43486, Circular Ref. No: 05/2020 dated February 10, 2020</p> <p>Download Ref No: NSE/INSP/43926, Circular Ref. No: 19/2020 dated March 23, 2020</p> <p>Circular Ref. No. NSE/INSP/46704 dated December 17, 2020; Download Ref No: NSE/INSP/46960, Circular Ref. No: 02/2021 dated January 08, 2021</p> <p>Download Ref No: NSE/INSP/48109, Circular Ref. No: 22/2021 dated April 28, 2021</p> <p>Download Ref no: NSE/INSP/50012, Circular Ref. No: 49/2021 Dated: October 19, 2021</p> <p>Download Ref No: NSE/INSP/50592, Circular Ref. No. 61/2021 dated December 13, 2021</p> <p>Download Ref No: NSE/INSP/50901, Circular Ref. No: 02/2022 dated January 04, 2022</p> <p>Download Ref No: NSE/INSP/51056, Circular Ref. No: 06/2022 dated January 18, 2022</p> <p>Download Ref No: NSE/INSP/52724, Circular Ref. No: 47/2022 dated June 24, 2022; Circular NSE/INSP/60283 dated January 16, 2024</p>
35	Post trade allocation of INST trades	Exchange Circular No. NSE/INSP/66808 dated February 21, 2025.

ITEM 5: OFFICE MANAGEMENT**5.1 Guidelines for location of CTCL terminals and usage thereof**

Stock Brokers / Trading Members were, *inter alia*, informed vide Exchange Circular Reference No. NSE/MEM/1591 dated April 20, 2000; Exchange Circular Reference No. NSE/MEM/3574 dated August 29, 2002 and Exchange Circular Reference No. NSE/MEMB/3635 dated September 25, 2002, that trading terminals shall be located only in the main / branch offices of the Stock Broker / Trading Member or in the office of a registered Authorised Person of the Stock Broker / Trading Member for the operations of the Stock Broker / Trading Member.

Stock Brokers/Trading Members will be held responsible and accountable for all acts of omission and commission of his Authorised Persons and/or their employees at their branches including conducting “informal” Dabba trades.

In accordance with Exchange Circular Reference No. NSE/MSD/56778 dated May 22, 2023, Stock Brokers / Trading Members can entrust CTCL terminals only to ‘Approved persons’. All trading terminals allotted by Stock Brokers / Trading Members, which are enabled/activated for trading shall be operated/accessed only through User Ids allotted to Approved Persons namely employees of Stock Broker / Trading Member, partner/proprietor/director(s), registered Authorized Persons or employee of an Authorised Person. No other person shall operate or place orders from such trading terminals. Stock Brokers / Trading Members shall not entrust the CTCL/dealer terminals to their clients or to any unregistered intermediary other than Approved Persons

Further, as specified in the aforesaid circular, if a NEAT user ID is enabled for internet trading (IBT), orders must be placed by clients only and not by anybody else or for anybody else. In case of any exigencies, where a client is not able to trade through the internet, then the orders on behalf of such clients must be placed by any Approved Persons of the Stock Broker / Trading Member as stated above, but not using the internet/Login ID and password of the client. Further, Stock Brokers / Trading Members shall execute trades of clients only after keeping evidence of the client placing such order.

Many trading terminals are noticed to be kept active though insignificant or NIL amounts of trades were being executed for long time, even though there is no commercial justification for such continuance. While commercial justification was not of immediate concern to the Exchange, Members are required 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/Authorised Person 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.

This has reference to Regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007 and various notifications/ Circulars issued by SEBI/Exchange, which stipulates passing of certification program by the associated persons who are approver users or sales personnel of the Members.

In view of the same, Members are advised to ensure that all their approved users/person have valid certification as specified by SEBI/ Exchange from time to time and no trades are executed without a valid certification. Members should ensure that correct and updated information relating to trading terminal and certification is reported to the Exchange and any non-compliance in this regard shall attract appropriate disciplinary actions including levy of penalty as specified under Exchange Circular Reference no. NSE/INSP/53530 dated September 2, 2022.

Members are advised to take note of the same and put in place systems and procedures to ensure adherence to the compliance requirements.

5.2 **Administrative actions for terminal(s) not found at the reported location(s)**

The Exchange has informed the Stock Brokers / Trading Members vide Exchange Circular Reference No. NSE/INSP/59809 dated December 18, 2023, that in order to initiate immediate actions in cases where the terminal(s) are not found at the reported location(s), following administrative actions shall be taken by the Exchange:

<u>Details of contravention</u>	<u>Administrative Action (s)</u>
Terminal(s) not available at the reported location(s)	The Stock Broker / Trading Member shall not be allowed to trade from those terminals, which are not found at the reported location.

Such administrative actions shall be in addition to the existing disciplinary actions/penalties prescribed by Exchange Circular Reference No. NSE/INSP/53530 dated September 2, 2022, for terminals that are not found at the reported location(s). Further, in case of repeated violations, escalated actions shall be initiated as per Exchange Circular Reference No. NSE/INSP/53530 dated September 2, 2022, which will be in addition to the administrative actions as prescribed.

5.3 Penalty Provisions for trading terminals without having valid certification

Regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007 and Exchange Circular Reference No. NSE/INSP/40559 dated March 27, 2019, stipulates passing of certification program by the associated persons of the Members. Members should also ensure that correct and updated information relating to trading terminals and certification is reported to the Exchange.

The Exchange vide Circular Reference No. NSE/INSP/56784 dated May 22, 2023, has reiterated that all approved persons of the Members should have valid certification as specified by SEBI/ Exchange from time to time and no trades are executed without a valid certification. Members are advised to monitor the expiry of certification of approved persons and ensure that requisite certification has been renewed well before the expiry. Members shall exercise appropriate due diligence and verify the authenticity and validity of the certification prior to uploading the certification details to the Exchange.

Accordingly, the user IDs/trading terminals of all approved persons (NEAT as well as 12-digit NNF terminals) having expired certification or not meeting certification requirement has been disabled/deactivated as on End of Day (EOD) of January 01, 2024.

Thereafter, on an ongoing basis, the Exchange at EOD disable the user ID of all approved persons for which the certificate has expired, and renewal of the said certificate has not been updated in the Exchange database/records.

5.4 Notice Board

Stock Brokers / Trading Members shall display, in all their offices / offices of their registered Authorised Persons where trading terminals are located, notice boards/plates at prominently visible locations, painted / printed in a permanent manner, in a font and colour which enables easy reading of the subject matter and containing details as prescribed in relevant circulars.

Further, in accordance with Exchange Circular Reference No. NSE/ISC/27486 dated September 01, 2014, offices of all Stock Brokers and its registered Authorised Persons shall prominently display basic information regarding Grievance Redressal Mechanism available to investors as per **Exhibit 40**.

5.5 Display of details by stock brokers

In accordance with paragraph 81 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, the following details by stock brokers are to be displayed including Members in their portal/web site, if any, notice / display boards, advertisements, publications, know your client forms, Stock Broker / Trading Member client agreements, Contract notes, Statement of funds and securities, and correspondences with the clients.

What to display	Where to display
Stock Broker / Trading Member may use the brand name / logo of its group companies, it must display more prominently its Name as registered with SEBI, Own logo, if any, Registration number, and Complete address with telephone numbers the name of the compliance officer, his telephone number and e-mail address	Portal /web site, if any, Notice / display boards, Advertisements, Publications, Know your client forms, Client registration documents Contract notes, Statement of accounts for funds and securities, and correspondences with the clients

5.6 **Risk disclosure with respect to trading by individual traders in Equity Futures & Options Segment.**

In accordance with paragraph 48 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, with a view to facilitating informed decision making by the investors trading in derivatives segment, 'Risk disclosures' with respect to trading in Equity Futures & Options (F&O) segment were introduced.

Accordingly, all stock brokers shall display the 'Risk Disclosures' enclosed at **Exhibit 41** on their websites and to all their clients in the manner as specified below:

- Upon login into their trading accounts with brokers, the clients may be prompted to read the 'Risk disclosures' (which may appear as a pop-up window upon login) and shall be allowed to proceed ahead only after acknowledging the same.
- The 'Risk disclosures' shall be displayed prominently, covering at least 50 percent area of the screen.

All QSBs shall maintain the Profit and Loss data of their clients on continuous basis as per the format given at **Exhibit 42**. The Profit and Loss data of the clients shall be retained for at least 5 years.

Based on queries received from members, NSE has issued clarification the FAQs vide Circular Reference No. NSE/INSP/57111 dated June 14, 2023, enclosed as **Exhibit 43**.

REGULATORY REQUIREMENTS/ REFERENCES

1	Guidelines for location of CTCL terminals and usage thereof	Circular No. NSE/INSP/ 3800, download reference no. NSE/INSP/ 2002/16 dated 13th December 2002; Download Ref. No.: NSE/INSP/28434; Circular Ref. No.: 212/2014 dated December 24, 2014, Download Ref. No.: NSE/MA/22732 dated February 13, 2013 Download Ref No: NSE/INSP/40559, Circular Ref. No: 04/2019 dated March 27, 2019, Download Ref. No: NSE/MSD/56778 dated May 22, 2023.
2	Administrative actions for terminal(s) not found at the reported location(s)	Circular No.: NSE/INSP/59809 dated December 18, 2023; Circular No. NSE/INSP/53530 dated September 2, 2022
3	Penalty Provisions for trading terminals without having valid certification	Circular No. Exchange Circular no. NSE/INSP/40559 dated March 27, 2019; Exchange Circular No. NSE/INSP/56784 dated May 22, 2023
4	Notice Boards	Circular No. NSE/I&ID/2001/3, DOWNLOAD REF.NO: NSE/I&ID/2893 Dated: September 28, 2001, Circular no. 501, download ref no. NSE/MEM/6706 dated September 28, 2005, SEBI Circular CIR/MIRSD/3/2014 dated August 28, 2014, Download Ref. No. NSE/ISC/27486 dated September 1, 2014
5	Display of details by stockbrokers including Members	SEBI Circular No. Cir/MIRSD/9/2010 dated November 4, 2010, Exchange Download Ref. No: NSE/INSP/16242, Exchange Circular No. NSE/INSP/2010/107 dated November 08, 2010; SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024.
6	Risk disclosure with respect to trading by individual traders in Equity Futures & Options Segment	SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/73 dated May 19, 2023 and Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024.

ITEM 6: DEALINGS WITH INTERMEDIARIES**6.1 Advisory on Impersonation**

Considering the recent investor complaints and media reports, it is observed that some unscrupulous persons / entities operating through Indian and International mobile numbers, through impersonation on social media platforms like Whatsapp Groups, Telegram Channels, Facebook, Instagram Channels, etc. are falsely claiming to be associated with reputed financial institutions, showcasing fake certificates purportedly issued by SEBI / Exchanges.

In view of the above and to protect the investors from unauthorized schemes / frauds due to impersonation, Exchange vide Circular Reference No. NSE/INSP/61754 dated April 25, 2024 and Exchange Circular Reference No. NSE/INSP/65224 dated November 25, 2024, has advised Stock Brokers / Trading Members to actively search the web / social media platforms for possible impersonation of their name / logo regularly and immediately take following actions:

- (a) Initiate steps to take down such App/website/social media posts etc. by filing police complaints;
- (b) Issue public notices; and
- (c) Notify clients about such impersonation findings, guiding them to verify the authentication of offer like asking them to visit official website or tagging official social media handles or calling customer care at email/phone no., etc. and advise clients not to participate/subscribe to any such product/scheme being offered.

Stock Brokers / Trading Members are also requested to report such instances / findings along with action taken to NSE, within 3 days after filing of police complaint. In this regard, the details of the action taken can be submitted to the Exchange online through the Stock Broker / Trading Member portal. The procedure for submitting the same through Member portal is given in **Exhibit 44**. The details of such information / data to be provided in this regard have been specified in **Exhibit 45**.

Further, as a part of investor awareness and cautioning the public at large, Exchange is publishing and updating all issued press releases on its website under Menu – Invest – Investor Awareness – Protection from Fraud – Advisory Investors – “Media coverage and Press releases issued to caution investors”. The link to view / refer all issued press releases on NSE website is: <https://www.nseindia.com/invest/advisory-for-investors>.

6.2 Notification under regulation 3 of the Securities and Exchange board of India Certification of Associated Persons in the Securities Markets Regulations, 2007**I. NISM Series IV - IRD**

SEBI vide its notification no. LAD-NRO/GN/2010-11/12/10230 published in the Gazette of India on June 29th, 2010 regarding certification of associated persons in the

securities markets notified that the Members are required to comply with the requirements of the notification.

Accordingly, it is notified that with effect from the date of this notification, the approved users and sales personnel of the Members who are registered as such in the currency derivatives of a recognized stock exchange and trading in interest rate derivatives shall be required to have a valid certification from the National Institute of Securities Markets NISM by passing the NISM-Series-IV: IRD Certification Examination as mentioned in the NISM communiqué no. NISM/Certification/Series-IV:IRD/2010/1 dated May 18, 2010.

II. NISM Series VII – Securities Operation and Risk Management

SEBI vide its notification no. LAD-NRO/GN/2010-11/21/29390 published in the Gazette of India on December 10, 2010 regarding the above subject matter notified that the Members are required to comply with the requirements of the notification.

Accordingly, it is notified that with effect from the date of this notification, the following category of associated persons, i.e., persons associated with a registered stock-broker/trading member/clearing member in recognized stock exchanges, who are involved in, or deal with, any of the following, namely: -

- Assets or funds of investors or clients,
- Redressal of investor grievances,
- Internal control or risk management, and
- Activities having a bearing on operational risk,

shall be required to have a valid certification from the National Institute of Securities Markets NISM by passing the NISM-Series-VII: Securities Operations and Risk Management Certification Examination as mentioned in the NISM communiqué/Press Release NISM/Certification/Series-VII: SORM/2010/01 dated November 11, 2010, read with Annexures-I and II thereto.

In view of the operational difficulties expressed by the Members, in consultation with SEBI and other Exchanges it has been decided that requirement of passing of NISM Series VII - Securities Operations and Risk Management Certification exam would be optional for associated persons handling the basic clerical/elementary functions in the above stated areas and whose work is supervised by NISM Series VII -Securities Operations and Risk Management Certification certified personnel. The broad indicative activities that can be classified as basic elementary level/clerical level are provided in Exchange Circular No. NSE/INSP/27495 dated September 02, 2014, are as follows:

Internal control or risk management

- Inwarding of collateral's/cheques
- Person performing maker entries
- Maker entry in the database
- Photocopying, printouts, scanning of documents
- Preparing of MIS
- Sending of letters/reports to clients, Exchanges, SEBI
- Attending calls, etc.

Redressal of investor grievances

- Inwarding of complaints,
- Seeking documents from clients
- Person performing maker entries
- Maker entry in the database
- Photocopying, printouts, scanning of documents
- Preparing of MIS
- Sending of letters/reports to clients, Exchanges, SEBI Updation, data entry, uploading on SCORES.
- Attending calls, etc.

Activities having a bearing on operational risk and dealing with assets or funds of investors or clients

- Person performing maker entries
- Maker entry in the database
- Preparing MIS
- Generating reports, Files
- Photocopying, printouts, scanning of documents

- Dispatching documents to clients
- Sending of letters/reports to clients, Exchanges, SEBI
- Attending calls, etc.

Members should have a well-documented internal policy based on the above guidelines, approved by its board of directors / partners / proprietor. The adherence to the above shall be verified during the inspections and Internal Audits of the Members.

Members may note that NCFM Certification in Capital Market Segment for Corporate Manager ID and Branch Manager ID will not be insisted upon in case the users have a valid NISM Series-VII- Securities Operations and Risk Management Certification.

III. NISM Series VIII – Equity Derivative

SEBI vide its notification no. LAD-NRO/GN/2012-13/30/5474 published in the Gazette of India on January 11, 2013 notified about requisite certifications for approved users and sales personnel in equity derivatives segment.

Accordingly, it is notified that with effect from the date of this notification the associated persons functioning as approved users and sales personnel of the Members of an equity derivative exchange or equity derivative segment of a recognized stock exchange shall obtain certification for the purpose of sub-regulation 2 of regulation 16C of the Securities and Exchange Board of India (Stock Brokers) Regulations, 1992, from the National Institute of Securities Market hereafter referred to as “NISM” by passing the NISM- Series-VIII: Equity Derivative Certification Examination hereafter referred to as “EDCE” as mentioned in the NISM communiqué No. NISM/Certification/Series – VIII:ED/2012/01 dated September 20, 2012.

IV. NISM-Series-XVI: Commodity Derivatives

SEBI vide its notification no. SEBI/LAD-NRO/GN/2019/41 published in the Gazette of India on November 21, 2019, notified about requisite certifications for approved users and sales personnel of the Members in commodity derivatives segment.

The Members shall ensure that all such associated persons who are approved users or sales personnel as on the date of this notification obtain the certification by passing the Commodity Derivatives Certification Examination within two years from the date of this notification:

Provided that a Stock Broker / Trading Member, who engages or employs any such associated person who is approved user or sales personnel, after the date of this notification, shall ensure that such person obtains certification by passing the Commodity Derivatives Certification Examination within one year from the date of their employment.

Provided further that an associated person, who being an approved user or sales personnel, has obtained any of the following certifications as on the date of this notification,-

- a) MCCP Certification (MCX Certified Commodity Professional)
- b) NCDEX Institute of Commodity Markets and Research (NICR) – Commodity Trader Certification Course
- c) NSE's Certification in Financial Markets (NCFM) – Commodity Market Module

shall be exempted from the requirement of obtaining certification by passing the Commodity Derivatives Certification Examination till the validity of the said certification.

V. NISM Series IIIA – Securities Intermediaries Compliance

SEBI vide its notification no. LAD-NRO/GN/202-13/33/1103 published in the Gazette of India on March 11, 2013 notified about requisite certifications for compliance officers.

Accordingly, it is notified that with effect from the date of this notification, the associated persons functioning as compliance officers of intermediaries registered with the Board as stock brokers, or depository participants, or merchant bankers, or underwriters, or bankers to the Issue, or debenture trustees or credit rating agencies, shall obtain certification from the National Institute of Securities Markets hereinafter referred to as "NISM" by passing the NISM-Series-III A: Securities Intermediaries Compliance Non-Fund Certification Examination hereinafter referred to as "SICCE" as mentioned in the NISM communiqué No. NISM/Certification/Series-III A: SIC/2013/01 dated January 7, 2013.

Provided that an intermediary, who engages or employs any such associated persons functioning as compliance officer after the date of this notification, shall ensure that such person obtains certification by passing SICCE within one year from the date of his employment.

In this regard, SEBI has issued notification no. LAD-NRO/GN/2014-15/23 dated March 10, 2015 wherein it has been decided that instead of obtaining multiple certifications for various derivative segments as mentioned above, NISM Series XIII: Common Derivatives Certification Examination "Series-XIII: CDCE" as mentioned in the NISM communiqué No. NISM/Certification/Series-XIII: COM/2014/01 dated December 09, 2014 is notified as an optional examination for the associated persons mentioned in the above mentioned notifications.

The associated persons who have obtained the Series-XIII: CDCE certification shall be deemed to have obtained the NISM-series-1; Currency Derivative Certification Examination, NISM- Series-IV; Interest Rate Derivatives Certificate Examination and NISM- Series-VII; Equity Derivatives certifications.

6.3 Transactions outside the trading system of the Exchange

The Exchange informed the Stock Brokers / Trading Members vide Exchange Circular Reference No. NSE/NSEI/4225 dated June 26, 2003 about the trading in securities outside the established trading system of the recognised stock exchanges by taking share prices disseminated online by major exchanges like NSE as reference prices. In order to avoid detection, the accounts for such trades and their settlement are kept separately, mostly on cash basis and not combined with the books of accounts pertaining to the transactions on the stock exchanges.

If any Stock Broker / Trading Member of the Exchange or its Authorised Person is found to be carrying out such activities in violation of the Rules, Bye-laws and Regulations of the Exchange, the same will be viewed with utmost seriousness by the Exchange and strict disciplinary action will be taken.

The Members are also requested to educate their clients about the risks involved in dealing through such unauthorised trading mechanism including the grave risk of not having access to the dispute resolution and the arbitration mechanisms of the Exchange, in respect of any dispute arising out of such trades.

6.4 Unauthenticated news circulated by SEBI Registered Market Intermediaries through various modes of communication

In accordance with paragraph 82 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, it has been observed by SEBI that unauthenticated news related to various scrips are circulated in blogs/chat forums/e-mail etc. by employees of broking houses/other intermediaries without adequate caution as mandated in the code of conduct for Stockbrokers and respective regulations of various intermediaries registered with SEBI. Further, in various instances, it has been observed that the Intermediaries do not have proper internal controls and do not ensure that proper checks and balances are in place to govern the conduct of their employees. Due to lack of proper internal controls and poor training, employees of such intermediaries are sometimes not aware of the damage which can be caused by circulation of unauthenticated news or rumours. It is a well - established fact that market rumours can do considerable damage to the normal functioning and behaviour of the market and distort the price discovery mechanisms.

In view of the above, SEBI Registered Market Intermediaries are directed as follows:-

- Proper internal code of conduct and controls should be put in place.

- Employees/temporary staff/voluntary workers etc. employed/working in the Offices of market intermediaries do not encourage or circulate rumours or unverified information obtained from client, industry, any trade or any other sources without verification.
- Access to Blogs/Chat forums/Messenger sites etc. should either be restricted under supervision or access should not be allowed.
- Logs for any usage of such Blogs/Chat forums/Messenger sites called by any nomenclature shall be treated as records and the same should be maintained as specified by the respective Regulations which govern the concerned intermediary.
- Employees should be directed that any market related news received by them either in their official mail/personal mail/blog or in any other manner, should be forwarded only after the same has been seen and approved by the concerned Intermediary's Compliance Officer. If an employee fails to do so, he/she shall be deemed to have violated the various provisions contained in SEBI Act/Rules/Regulations etc. and shall be liable for action. The Compliance Officer shall also be held liable for breach of duty in this regard.

6.5 Guidelines on Outsourcing of Activities by Intermediaries

SEBI Regulations for various intermediaries require that they shall render at all times high standards of service and exercise due diligence and ensure proper care in their operations. It has been observed that often the intermediaries' resort to outsourcing with a view to reduce costs, and at times, for strategic reasons. In accordance with paragraph 83 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, SEBI has prescribed the principles for outsourcing. Outsourcing may be defined as the use of one or more than one third party – either within or outside the group - by a registered intermediary to perform the activities associated with services which the intermediary offers.

Principles for Outsourcing

The risks associated with outsourcing may be operational risk, reputational risk, legal risk, country risk, strategic risk, exit-strategy risk, counter party risk, concentration and systemic risk. In order to address the concerns arising from the outsourcing of activities by intermediaries, the principles for outsourcing by intermediaries have been framed which shall be followed by all intermediaries registered with SEBI.

PRINCIPLES FOR OUTSOURCING FOR INTERMEDIARIES

1. **An intermediary seeking to outsource activities shall have in place a comprehensive policy to guide the assessment of whether and how those activities can be appropriately outsourced. The Board / partners as the case may be {hereinafter referred to as the "the Board"} of the intermediary shall have the**

	<p>responsibility for the outsourcing policy and related overall responsibility for activities undertaken under that policy.</p>
1.1	<p>The policy shall cover activities or the nature of activities that can be outsourced, the authorities who can approve outsourcing of such activities, and the selection of third party to whom it can be outsourced. For example, an activity shall not be outsourced if it would impair the supervisory authority's right to assess, or its ability to supervise the business of the intermediary. The policy shall be based on an evaluation of risk concentrations, limits on the acceptable overall level of outsourced activities, risks arising from outsourcing multiple activities to the same entity, etc.</p>
1.2	<p>The Board shall mandate a regular review of outsourcing policy for such activities in the wake of changing business environment. It shall also have overall responsibility for ensuring that all ongoing outsourcing decisions taken by the intermediary and the activities undertaken by the third-party, are in keeping with its outsourcing policy.</p>
2.	<p>The intermediary shall establish a comprehensive outsourcing risk management programme to address the outsourced activities and the relationship with the third party.</p>
2.1	<p>An intermediary shall make an assessment of outsourcing risk which depends on several factors, including the scope and materiality of the outsourced activity, etc. The factors that could help in considering materiality in a risk management programme include:</p>
a.	<p>The impact of failure of a third party to adequately perform the activity on the financial, reputational and operational performance of the intermediary and on the investors / clients;</p>
b.	<p>Ability of the intermediary to cope up with the work, in case of non-performance or failure by a third party by having suitable back-up arrangements;</p>
c.	<p>Regulatory status of the third party, including its fitness and probity status;</p>
d.	<p>Situations involving conflict of interest between the intermediary and the third party and the measures put in place by the intermediary to address such potential conflicts, etc.</p>
2.2	<p>While there shall not be any prohibition on a group entity / associate of the intermediary to act as the third party, systems shall be put in place to have an arm's length distance between the intermediary and the third party in terms of infrastructure, manpower, decision- making, record keeping, etc. for avoidance of potential conflict of interests. Necessary disclosures in this regard shall be made as part of the contractual agreement. It shall be kept in mind that the risk management practices expected to be adopted by an intermediary while outsourcing to a related party or an associate would be identical to those followed while outsourcing to an unrelated party.</p>

- 2.3 The records relating to all activities outsourced shall be preserved centrally so that the same is readily accessible for review by the Board of the intermediary and / or its senior management, as and when needed. Such records shall be regularly updated and may also form part of the corporate governance review by the management of the intermediary.
- 2.4 Regular reviews by internal or external auditors of the outsourcing policies, risk management system and requirements of the regulator shall be mandated by the Board wherever felt necessary. The intermediary shall review the financial and operational capabilities of the third party in order to assess its ability to continue to meet its outsourcing obligations
- 3. The intermediary shall ensure that outsourcing arrangements neither diminish its ability to fulfil its obligations to customers and regulators, nor impede effective supervision by the regulators.**
- 3.1 The intermediary shall be fully liable and accountable for the activities that are being outsourced to the same extent as if the service were provided in-house.
- 3.2 Outsourcing arrangements shall not affect the rights of an investor or client against the intermediary in any manner. The intermediary shall be liable to the investors for the loss incurred by them due to the failure of the third party and also be responsible for redressal of the grievances received from investors arising out of activities rendered by the third party.
- 3.3 The facilities / premises / data that are involved in carrying out the outsourced activity by the service provider shall be deemed to be those of the registered intermediary. The intermediary itself and Regulator or the persons authorized by it shall have the right to access the same at any point of time.
- 4. Outsourcing arrangements shall not impair the ability of SEBI/SRO or auditors to exercise its regulatory responsibilities such as supervision/inspection of the intermediary. The intermediary shall conduct appropriate due diligence in selecting the third party and in monitoring of its performance.**
- 4.1 It is important that the intermediary exercises due care, skill, and diligence in the selection of the third party to ensure that the third party has the ability and capacity to undertake the provision of the service effectively.
- 4.2 The due diligence undertaken by an intermediary shall include assessment of:
 - a. third party's resources and capabilities, including financial soundness, to perform the outsourcing work within the timelines fixed;
 - b. compatibility of the practices and systems of the third party with the intermediary's requirements and objectives;

- c. market feedback of the prospective third party's business reputation and track record of their services rendered in the past;
- d. level of concentration of the outsourced arrangements with a single third party; and
- e. the environment of the foreign country where the third party is located.
- 5 **Outsourcing relationships shall be governed by written contracts / agreements / terms and conditions as deemed appropriate {hereinafter referred to as "contract"} that clearly describe all material aspects of the outsourcing arrangement, including the rights, responsibilities and expectations of the parties to the contract, client confidentiality issues, termination procedures, etc.**
- 5.1 Outsourcing arrangements shall be governed by a clearly defined and legally binding written contract between the intermediary and each of the third parties, the nature and detail of which shall be appropriate to the materiality of the outsourced activity in relation to the ongoing business of the intermediary.
- 2 Care shall be taken to ensure that the outsourcing contract:
 - a. clearly defines what activities are going to be outsourced, including appropriate service and performance levels;
 - b. provides for mutual rights, obligations and responsibilities of the intermediary and the third party, including indemnity by the parties;
 - c. provides for the liability of the third party to the intermediary for unsatisfactory performance/other breach of the contract
 - d. provides for the continuous monitoring and assessment by the intermediary of the third party so that any necessary corrective measures can be taken up immediately, i.e., the contract shall enable the intermediary to retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations;
 - e. includes, where necessary, conditions of sub-contracting by the third-party, i.e. the contract shall enable intermediary to maintain a similar control over the risks when a third party outsources to further third parties as in the original direct outsourcing;
 - f. has unambiguous confidentiality clauses to ensure protection of proprietary and customer data during the tenure of the contract and also after the expiry of the contract;
 - g. specifies the responsibilities of the third party with respect to the IT security and contingency plans, insurance cover, business continuity and disaster recovery plans, force majeure clause, etc.;
 - h. provides for preservation of the documents and data by third party ;

- | | |
|-----------|--|
| i. | provides for the mechanisms to resolve disputes arising from implementation of the outsourcing contract; |
| j. | provides for termination of the contract, termination rights, transfer of information and exit strategies; |
| k. | addresses additional issues arising from country risks and potential obstacles in exercising oversight and management of the arrangements when intermediary outsources its activities to foreign third party. For example, the contract shall include choice-of-law provisions and agreement covenants and jurisdictional covenants that provide for adjudication of disputes between the parties under the laws of a specific jurisdiction; |
| l. | neither prevents nor impedes the intermediary from meeting its respective regulatory obligations, nor the regulator from exercising its regulatory powers; and |
| m. | provides for the intermediary and /or the regulator or the persons authorized by it to have the ability to inspect, access all books, records and information relevant to the outsourced activity with the third party. |
| 6. | The intermediary and its third parties shall establish and maintain contingency plans, including a plan for disaster recovery and periodic testing of backup facilities. |
| 6.1 | Specific contingency plans shall be separately developed for each outsourcing arrangement, as is done in individual business lines. |
| 6.2 | An intermediary shall take appropriate steps to assess and address the potential consequence of a business disruption or other problems at the third party level. Notably, it shall consider contingency plans at the third party; co-ordination of contingency plans at both the intermediary and the third party; and contingency plans of the intermediary in the event of non-performance by the third party. |
| 6.3 | To ensure business continuity, robust information technology security is a necessity. A breakdown in the IT capacity may impair the ability of the intermediary to fulfil its obligations to other market participants/clients/regulators and could undermine the privacy interests of its customers, harm the intermediary's reputation, and may ultimately impact on its overall operational risk profile. Intermediaries shall, therefore, seek to ensure that third party maintains appropriate IT security and robust disaster recovery capabilities. |
| 6.4 | Periodic tests of the critical security procedures and systems and review of the backup facilities shall be undertaken by the intermediary to confirm the adequacy of the third party system. |

7 The intermediary shall take appropriate steps to require that third parties protect confidential information of both the intermediary and its customers from intentional or inadvertent disclosure to unauthorised persons.

7.1 An intermediary that engages in outsourcing is expected to take appropriate steps to protect its proprietary and confidential customer information and ensure that it is not misused or misappropriated.

7.2 The intermediary shall prevail upon the third party to ensure that the employees of the third party have limited access to the data handled and only on a “need to know” basis and the third party shall have adequate checks and balances to ensure the same.

7.3 In cases where the third party is providing similar services to multiple entities, the intermediary shall ensure that adequate care is taken by the third party to build safeguards for data security and confidentiality.

8 Potential risks posed where the outsourced activities of multiple intermediaries are concentrated with a limited number of third parties.

In instances, where the third-party acts as an outsourcing agent for multiple intermediaries, it is the duty of the third-party and the intermediary to ensure that strong safeguards are **put in** place so that there is no co-mingling of information /documents, records and assets.

Other Obligations

In accordance with Exchange Circular Ref. No. NSE/INSP/19603 dated December 15, 2011 the following other obligations for Stock Brokers / Trading Members:

- i. **Reporting To Financial Intelligence Unit FIU** - The intermediaries shall be responsible for reporting of any suspicious transactions / reports to FIU or any other competent authority in respect of activities carried out by the third parties.
- ii. **Reliance on third party for carrying out Client Due Diligence** - Registered intermediaries may rely on a third party for the purpose of (a) identification and verification of the identity of a client and (b) determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act. However, the registered intermediary shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

6.6 General Guidelines for dealing with Conflicts of Interest of Intermediaries, Recognised Stock Exchanges, Recognised Clearing Corporations, Depositories and their Associated Persons in Securities Market.

1. In accordance with paragraph 84 of the SEBI Master Circular for Stock Broker dated August 09, 2024, SEBI has prescribed general guidelines for dealing with Conflicts of Interest of Stock Brokers / Trading Members and their Associated Persons in Securities Market. On the lines of Principle 8 of the International Organisation of Securities Commissions (IOSCO) Objectives and Principles of Securities Regulations, it has been decided to put in place comprehensive guidelines to collectively cover such Stock Brokers / Trading Members, for elimination of their conflict of interest, as detailed hereunder.
2. Stock Brokers / Trading Members shall adhere to these guidelines for avoiding or dealing with or managing conflict of interest. They shall be responsible for educating their associated persons for compliance of these guidelines.
3. For the purpose of these guidelines "associated persons" shall have the same meaning as defined in the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007.
4. Stock Brokers / Trading Members and their associated persons shall,
 - i. lay down, with active involvement of senior management, policies and internal procedures to identify and avoid or to deal or manage actual or potential conflict of interest, develop an internal code of conduct governing operations and formulate standards of appropriate conduct in the performance of their activities, and ensure to communicate such policies, procedures and code to all concerned;
 - ii. at all times maintain high standards of integrity in the conduct of their business;
 - iii. ensure fair treatment of their clients and not discriminate amongst them;
 - iv. ensure that their personal interest does not, at any time conflict with their duty to their clients and client's interest always takes primacy in their advice, investment decisions and transactions.
 - v. make appropriate disclosure to the clients of possible source or potential areas of conflict of interest which would impair their ability to render fair, objective and unbiased services;
 - vi. endeavor to reduce opportunities for conflict through prescriptive measures such as through information barriers to block or hinder the flow of information from one department/ unit to another, etc.;
 - vii. place appropriate restrictions on transactions in securities while handling a mandate of issuer or client in respect of such security so as to avoid any conflict;

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- viii. not deal in securities while in possession of material non published information
 - ix. not to communicate the material non published information while dealing in securities on behalf of others;
 - x. not in any way contribute to manipulate the demand for or supply of securities in the market or to influence prices of securities
 - xi. not have an incentive structure that encourages sale of products not suiting the risk profile of their clients ;
 - xii. not share information received from clients or pertaining to them, obtained as a result of their dealings, for their personal interest;
5. The board of Stock Brokers / Trading Members shall put in place systems for implementation of the aforementioned guidelines and provide necessary guidance enabling identification, elimination or management of conflict of interest situations. The Boards shall review the compliance of the above guidelines periodically.
6. The said guidelines shall be in addition to the provisions, if any, contained in respective regulations/ circulars issued by the Board from time to time regarding dealing with conflict of interest, in respect of such entities.

REGULATORY REQUIREMENTS/ REFERENCES

1	Advisory on Impersonation	Exchange Circular No. NSE/INSP/61754 dated April 25, 2024 and Exchange Circular no – NSE/INSP/65224 dated November 25, 2024
2	Notification under regulation 3 of the Securities and Exchange board of India Certification of Associated Persons in the Securities Markets Regulations, 2007	SEBI notification no. LAD-NRO/GN/2010-11/12/10230 dated June 29th, 2010, SEBI notification no. LAD- NRO/GN/2010-11/21/29390 dated December 10, 2010, Exchange Circular No. NSE/INSP/2010/109, Exchange Download No: NSE/INSP/16536;Download Ref. No.: NSE/INSP/22096; Circular Ref. No.: 148/2012 dated November 8, 2012; SEBI notification no. LAD- NRO/GN/2012-13/30/5474 dated January 11, 2013; Download Ref. No.: NSE/INSP/22613; Circular Ref. No.: 153/2013 dated January 24, 2013; SEBI notification no. LAD-NRO/GN/202- 13/33/1103 dated March 11, 2013; Download Ref. No.: NSE/INSP/22924; Circular Ref. No.: 155/2013 dated March 12, 2013; SEBI notification no. LAD-NRO/GN/2013-14/41/118 dated January 20, 2014; Download Ref. No.: NSE/INSP/25617; Circular Ref. No.: 178/2014 dated January 21, 2014 Download Ref. No.: NSE/INSP/27495; Circular Ref. No.: 198/2014 dated September2, 2014 Download Ref. No.: NSE/INSP/28472; Circular Ref. No.: 214/2014 dated December 29, 2014, SEBI Notification No. LAD-NRO/GN/2014-15/23 dated 10th March, 2015 Download Ref. No.: NSE/INSP/29304; Circular Ref. No.: 225/2015 dated March 30, 2015 Download Ref. No.: NSE/INSP/30549; Circular Ref. No.: 247/2015 dated August 20, 2015; Circular Ref. No: 47/2019, Download Ref No: NSE/INSP/42842 dated December 05, 2019
3	Transactions outside the trading system of the Exchange	Circular no. NSE/INSP/2003/18, download reference no. NSE/INSP/4225 dated 26th June 2003
4	Unauthenticated news circulated by SEBI Registered Intermediary modes communication Market es through various of ion	SEBI Circular Cir/ISD/1/2011 dated March 23, 2011; Circular No. NSE/INSP/ 2010/113 Download Ref. No: NSE/INSP/ 17326 dated March 23, 2011 and SEBI Addendum Circular No. Cir/ISD/2/2011 dated Mach 24, 2011; Download Ref. No: NSE/INSP/ 17338; Circular No. NSE/INSP/2011/114 dated March 24, 2011; SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024
5	Guidelines on Outsourcing of Activities by Intermediaries	SEBI Circular No. CIR/MIRSD/24/2011 dated December 15, 2011; Download Ref. No.: NSE/INSP/19603; Circular Ref. No.: 127/2011 dated December 15, 2011

6	General Guidelines for dealing with Conflicts of Interest of Intermediaries, Recognised Stock Exchanges, Recognised Clearing Corporations, Depositories and their Associated Persons in Securities Market	SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024.
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ITEM 7: BOOKS OF ACCOUNTS AND OTHER DOCUMENTS**7.1 Maintenance of books of accounts and other documents / Preservation of records**

In terms of Rules 14 and 15 of Securities Contracts Regulation Rules, 1957 (“**SCRR, 1957**”) every recognized stock exchange and its Stock Brokers / Trading Members are required to maintain and preserve the specified books of account and documents for a period ranging from two years to five years.

Further, as per Regulation 18 of Stock Broker Regulations, 1992, every Stock Broker / Trading Member shall preserve the books of account and other records maintained under regulation 17 for a minimum period of five years. In case such documents are maintained in electronic form, provisions of IT Act in this regard shall be complied with.

It has been noticed that enforcement agencies like CBI, Police, crime Branch etc. have been collecting copies of the various records/documents during the course of their investigation. The originals of such documents maintained either in physical or in electronic form or in both would be required by such enforcement agencies during trial of the case also. In view of the above, it is clarified that if a copy is taken by such enforcement agency either from physical or electronic record then the respective original is to be maintained till the trial or investigation proceedings have concluded.

Maintenance of client wise, scrip-wise Register of Securities

Member’s attention is drawn to Exchange Circulars Reference No. NSE/INSP/39393 dated November 13, 2018, and NSE/INSP/40743 dated April 12, 2019, NSE/INSP/41711 dated July 25, 2019, NSE/INSP/45193 dated July 31, 2020 and NSE/INSP/51277 dated February 08, 2022 on the maintenance of Register of Securities (ROS) and submission of Holding Statement.

Based on the submissions made by the Members till date, it has come to the notice of the Exchange that certain Members are not following uniform practices, as previously clarified by our aforesaid circulars, while recording the transactions in the Register of Securities and Holding Statement.

In view of the same, the following guidelines are being re-iterated for the immediate attention and due compliance by all Members: -

- The register of securities (“**ROS**”) shall be maintained as per the format specified in Exchange Circular Reference No. NSE/INSP/39393 dated November 13, 2018 and NSE/INSP/41498 dated July 03, 2019, and shall mandatorily contain the “execution date” which shall be the date of actual movement (Receipt/Delivery) of securities.
- SEBI has provided for "Block Mechanism in demat account of clients undertaking sale transactions", which facilitated the clients' undertaking sale transactions to avail Early Pay-In (EPI) benefit by blocking the shares in favour of the Clearing Corporation in paragraph 44 of the SEBI Master Circular for Stock Brokers dated August 09, 2024.

Further, the said mechanism has done away with the movement of shares from the client's demat account for availing EPI benefit. Based on the submissions made by the Members who have availed block mechanism facility for early pay-in of securities, it has been observed that certain Stock Brokers / Trading Members are incorrectly reporting weekly Holding Statement to Exchange by including securities available in the clients' demat account under the block mechanism also in their weekly Holding Statement. In view of the above, it is clarified that Members shall not include the securities lying in the clients' demat accounts under the block mechanism at the end of the day in the weekly Holding Statement uploaded to Exchange.

7.2 Format of Register of Securities, Holding Statement, Bank Book, & Client Ledger

To facilitate the Stock Brokers / Trading Members to maintain the books of accounts in proper format, a standard format for below submissions are issued in Exchange Circulars. The following formats are updated from time to time and applicable formats are enclosed as **Exhibit 46**.

- Register of Securities (ROS)
- Holding Statement submission (HS)
- Bank Book
- Client Fund Ledger

Stock Brokers / Trading Members may note that non-maintenance of **client-wise, security-wise** Register of Securities in the prescribed format is a violation of the provisions of the Securities Contracts Regulation Rules 1957 and the Regulations of the Exchange and will be viewed seriously.

REGULATORY REQUIREMENTS/ REFERENCES

1	Maintenance of books of accounts and other documents / Preservation of records	Circular No. NSE/INSP/2005/43, Download Ref. No.: NSE/INSP/6991, Dated: 26th December 2005 and SEBI Circular MRD/Dop/SE/CIR-21/2009 dated December 09, 2009, Exchange Download Ref. No: NSE/INSP/13701, Exchange Circular No. NSE/INSP/2009/87 dated 16th December 2009
2	Maintenance of client-wise, scrip-wise Register of Securities	Circular No. NSE/INSP/2004/28, DOWNLOAD REF.NO: NSE/INSP/4986 Dated: 16 th April 2004; SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024.
3	Format of Register of Securities, Holding Statement, Bank Book and Client Ledger	Circular No. NSE/INSP/2004/28, DOWNLOAD REF.NO: NSE/INSP/4986 Dated: 16 th April 2004. Circular No. 337/2018, Download Ref. No.: NSE/INSP/38743 dated August 30, 2018 NSE/INSP/39393 dated November 13, 2018, Circular Ref. No. NSE/INSP/39855 dated January 03, 2019; Circular Ref. No. NSE/INSP/40743 dated April 12, 2019; Circular Ref. No: 08/2019, Download Ref No: NSE/INSP/41017 dated May 16, 2019; Circular Ref. No: 20/2019, Download Ref No: NSE/INSP/41498 dated July 03, 2019; Circular Ref. No. NSE/INSP/41711 dated July 25, 2019 and NSE/INSP/43213 dated January 14, 2020; Download Ref No: NSE/INSP/45193, Circular Ref. No: 48/2020 dated July 31, 2020; Download Ref No: NSE/INSP/47227, Circular Ref. No: 05/2021 dated February 03, 2021, NSE/INSP/51277 dated February 08, 2022, Download Ref No: NSE/INSP/53531 dated September 02, 2022.

ITEM 8: COMPLIANCE SUBMISSIONS AND REQUIREMENTS**8.1 Compliance Calendar**

The Exchange vide Circular Reference No. NSE/INSP/59543 dated November 29, 2023 has introduced the Compliance Calendar as an additional functionality in the Penalty Dashboard. The calendar will include compliances applicable to Stock Brokers / Trading Members for the current month and the same will be updated on a monthly basis for subsequent month. This includes submission timelines for various periodic compliances along with due date for each compliance submission.

8.2 Obligations of the Members under Margin Pledge Mechanism

In accordance with the provisions of paragraph 41 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, SEBI has provided a framework on “Margin obligations to be given by way of Pledge/ Re-pledge in the Depository System”. Paragraph 41.5 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 states that, for the purpose of providing collateral in the form of securities as margin, a client shall pledge securities with Stock Broker / Trading Member, and Stock Broker / Trading Member shall re-pledge the same with Clearing Member and Clearing Member, in turn, shall repledge the same to Clearing Corporation (CC).

Exchange has been initiating disciplinary action in instances where funds of the clients having credit balance have been used towards the margin obligation of the clients having debit balance. Some of the instances include Stock Brokers / Trading Members holding client securities as margin pledge but have not repledged securities with the Clearing member/Clearing corporation as per the guidelines mentioned above for giving exposure limit to the respective clients and have instead utilised funds of the other clients having a credit balance.

8.3 Guidelines for maintaining bank accounts and Reporting of Bank & Demat Accounts

One of the requirements of the Enhanced Supervision of Stock Brokers circular is the reporting by all the Members of their existing as well as their new bank & demat accounts to the Exchange.

A facility has been provided by the Exchange whereby Members can report details of their bank & demat accounts to the Exchange, electronically through the Inspection module in the Stock Broker / Trading Member portal. The procedure for submitting the information through the Inspection module in the Stock Broker / Trading Member portal is given in the circular issued by Exchange. The Members may note that all new bank & demat accounts shall be informed to the Exchanges within one week of the opening of the account through the same module.

Exchange has decided to seek information/ statements pertaining to all Bank accounts maintained by Stock Brokers / Trading Members directly from Bank or through a financial technology solution provider authorised by the Exchange. Hence, all Stock Brokers / Trading Members are advised to provide an undertaking authorising the Exchange to instruct the bank(s)

of the Stock Brokers / Trading Members to seek any information/statements pertaining to all bank accounts (maintained by Stock Brokers / Trading Members) directly from the Bank or through a financial technology solution provider authorised by the Exchange.

Further, Stock Brokers / Trading Members are advised to keep the Bank/s appropriately notified of the said authorisation to enable them to honour the instructions received from Exchange. Stock Brokers / Trading Members shall submit updated/ fresh undertaking/authorisation to the Exchange within seven working days of opening of any new bank account.

Exchange has also issued Circulars Reference No. NSE/INSP/46280, NSE/INSP/46469 and NSE/INSP/46729 dated November 06, 2020, November 27, 2020 and December 18, 2020 on Guidelines for maintaining client bank accounts. As per the guidelines, Stock Brokers / Trading Members can maintain maximum of 30 bank accounts named as "Name of Stock Broker - Client Account" across all segments and Exchanges at a time. The Stock Brokers / Trading Members were advised to close the excess bank accounts named as "Name of Stock Broker - Client Account" by December 31, 2020.

Exchange vide Circulars Reference No. NSE/INSP/51235 dated February 03, 2022, NSE/INSP/51639 dated March 15, 2022, NSE/INSP/51985 dated April 12, 2022, has prescribed that Stock Brokers / Trading Members shall maintain client bank accounts with followings banks only:

- i. Banks designated as Clearing Banks by any of the Clearing Corporations from time to time.
- ii. Banks which are not designated as Clearing Banks however empanelled for the purpose of issuance of BGs and FDRs by any of the Clearing Corporations from time to time.
- iii. Payment Banks licensed under Banking Regulation Act, 1949.

However, Stock Brokers / Trading Members can maintain the client banks accounts with banks stated above in point (ii) & (iii) only if Stock Broker / Trading Member has obtained written confirmation from such bank(s) that Bank shall submit day wise account number wise end of day clear running balances and/or information/statement of all bank accounts maintained with such bank(s) to Exchange on daily/weekly basis as may be required by the Exchange. Members shall submit updated/ fresh confirmation to the Exchange within seven working days of opening of any new client bank account. The format of the confirmation is enclosed as **Exhibit 47**.

Further, Stock Broker / Trading Member shall maintain own/proprietary account with Scheduled Banks or Payment Banks licensed under Banking Regulation Act, 1949 only.

Members are also requested to note that, in accordance with paragraph 15.4.3.2 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 "In case of closure of any of the reported bank and demat accounts, the same shall be communicated to the Stock Exchanges within one week of its closure."

Further, the Exchange, in order to enable Stock Brokers / Trading Members to submit confirmation, has provided an online facility to Stock Brokers / Trading Members for

submission of such confirmation through the inspection module of the Stock Broker / Trading Member portal. The user manual for submission of the bank confirmation is provided as Annexure -A of the Circular Reference No. NSE/INSP/51985 dated April 12, 2022, is enclosed as **Exhibit 48**. Further, Stock Brokers / Trading Members shall submit updated/ fresh confirmation to the Exchange within seven working days of opening of any new client bank account.

As per paragraph 15.4.4.2 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 "Transfer of funds between "Name of Stock Broker - Client Account" and "Name of Stock Broker - Settlement Account" and client's own bank accounts is permitted. Transfer of funds from "Name of Stock Broker - Client Account" to "Name of Stock Broker - Proprietary Account" is permitted only for legitimate purposes, such as, recovery of brokerage, statutory dues, funds shortfall of debit balance clients which has been met by the Stock Broker / Trading Member, etc. For such transfer of funds, Stock Broker / Trading Member shall maintain daily reconciliation statement clearly indicating the amount of funds transferred.". Members shall maintain the reconciliation statement on a daily basis as prescribed in the aforesaid circular and provide the same as and when sought by the relevant authority.

In accordance with paragraph 15.3 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 had mandated uniform nomenclature to be followed by stock brokers for Naming/Tagging of Bank and Demat Accounts to reflect the purpose for which those bank/demat accounts are being maintained and the reporting of such accounts to the Stock Exchanges/Depositories. Further, paragraph 15.3.3 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 provides that naming proprietary demat accounts of the Stock Broker / Trading Member as 'Stock Broker – Proprietary Account' is voluntary and accounts which are not tagged would be deemed to be proprietary.

Paragraph 15.3.4 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 provides that all demat accounts maintained by stock brokers should be appropriately tagged. Further, it is prescribed that:

- i. Credit of securities shall not be allowed in any demat account left untagged from July 01, 2022 onwards. Credits on account of corporate actions shall be permitted.
- ii. Debit of securities shall also not be allowed in any demat account left untagged from August 01, 2022.
- iii. Stock Broker shall obtain permission from Stock Exchanges to allow tagging of such demat accounts from August 01, 2022 onwards. Stock Exchange shall grant such approval within two working days after imposing penalty as per their internal policy.
- iv. Points (i) to (iii) above will not be applicable for the demat accounts which are used exclusively for banking activities by stock brokers which are also banks.

Vide Exchange Circular Reference No. NSE/INSP/33409 dated October 14, 2016, Stock Brokers / Trading Members were required to report details of all bank accounts and demat

accounts to the Exchange, through inspection module in Stock Broker / Trading Member Portal. As per the requirement, Stock Brokers / Trading Members are required to maintain designated client bank account(s) ("Name of SB/CM - Client Account") to receive/pay funds from/to their constituents.

In accordance with paragraph 15.3.2 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, and Exchange circular NSE/INSP/57041 dated June 09, 2023, on "Upstreaming of clients' funds by Stock Brokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs)", Stock Brokers / Trading Members are required to change the nomenclature of all these designated client bank account(s) ("Name of SB/CM - Client Account") to either of the following categories of Bank Account:

- a. **Up Streaming Client Nodal Bank Account (USCNBA):** Stockbroker / Clearing Member shall receive clients' funds in USCNBA. The nomenclature for such accounts shall be "Name of the SB/CM – USCNB account".
- b. **Down Streaming Client Nodal Bank Account (DSCNBA):** Payment to clients shall be done only from DSCNBA account. The nomenclature for such accounts shall be "Name of the SB/CM – DSCNB account".
- c. Bank account(s) held for the purpose of settlement would be named as "Name of Stock Broker – Settlement Account".

In addition, clearing members, who clear trades for other Stock Broker / Trading Member, shall only use the designated bank account(s) maintained with the nomenclature "Name of the CM – TM prop account" to receive/pay proprietary funds from/to stock brokers.

Further in accordance with paragraph 93.9 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, Stock Brokers / Trading Members shall have to maintain a dedicated demat account for subscription/ redemption of MFOS units. The nomenclature for the dedicated demat account shall be "Client Nodal MFOS Account".

The procedure for submitting the aforesaid information of Bank and Demat Account to Exchange through the Inspection module in the Stock Broker / Trading Member portal is given in Annexure to the Exchange Circular Reference No. NSE/INSP/57266 dated June 23, 2023.

8.4 Application Programming Interface (API) for submission of Holding Statement

Exchange vide Circulars Download Reference No. NSE/INSP/51191 dated January 31, 2022, NSE/INSP/51599 dated March 10, 2022, NSE/INSP/51938 dated April 06, 2022, NSE/INSP/52509 dated June 03, 2022, and NSE/INSP/52829 dated June 30, 2022 has introduced Application Programming Interface (API) for submission of Holding Statement and the same has been mandatorily made applicable from week ended July 02, 2022 and onwards.

With a view to enhance monitoring of client assets on continuous basis, it has been decided to revise the frequency of submission of Holding statement from weekly to daily and accordingly,

Stock Brokers / Trading Members shall be mandatorily required to report daily submissions of Holding Statement through API from day ended January 30, 2023 and onwards, on T+1 basis.

As per the existing functionality, in case of submission of nil holding of clients' securities, Members are required to submit a declaration "No client securities held during the day" to the Exchange through Stock Broker / Trading Member portal on a daily basis.

In order to ease out the compliance of the Members, Exchange has decided vide Circular no. NSE/INSP/60046 dated December 29, 2023 to replace the aforesaid daily declaration requirement with One Time Nil Holding declaration for which new functionality has been introduced in the Stock Broker / Trading Member portal.

Accordingly, in case of submission of nil holding of clients' securities, Members shall be required to submit a One-time Nil Holding declaration on T+1, which shall stand valid until next holding statement submission. However, non-submission of One Time Nil Holding Declaration within due date shall be treated as non-submission of Holding Statement.

It may be noted that once the submission of Holding Statement becomes applicable again (i.e. Client securities are held by the Stock Broker / Trading Member), Stock Broker / Trading Member shall be first required to make Bulk Nil Holding submission through Stock Broker / Trading Member portal for all the earlier dates for which there were no client securities holdings with Stock Broker / Trading Member and then proceed with the submission of Holding Statement through API as per the prescribed timeline of T+1.

Detailed User Manual for submission of NIL Holding Declaration and Bulk Nil Holding is attached as **Exhibit 49**.

8.5 Submission of Designated Director details to FIU-IND and Registration on FIU-IND's FINnet Gateway.

SEBI mandates Stock Brokers / Trading Members vide Exchange Circular Reference No. NSE/INSP/27039 dated June 30, 2014 to appoint a person as a 'Designated Director' in addition to Principal Officer to comply with AML/CFT requirements. 'Designated Director' includes -

- i. the Managing Director or a Whole-time Director duly authorized by the Board of Directors if the reporting entity is a company,
- ii. the managing partner if the reporting entity is a partnership firm,
- iii. the proprietor if the reporting entity is a proprietorship concern,
- iv. the managing trustee if the reporting entity is a trust,
- v. a person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a body of individuals

- vi. such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above."

The members are required to provide details of the Designated Director, such as, name, designation and address to the office of the Director to FIU-IND.

8.6 Submission of Internal Audit Report

SEBI vide paragraph 13.2 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 mandates all Stock Brokers / Trading Members to carry out complete internal audit on a half yearly basis by an auditor in an audit firm who is an independent qualified Chartered Accountant or Company Secretary or Cost & Management Accountant who is in practice and do not have any interest in or relation with the Stock Broker / Trading Member other than the internal audit assignment. As per the relevant circulars issued by the Exchange, all the Stock Brokers / Trading Members are required to submit the report within 2 months from the end of the half-year. Stock Brokers / Trading Members are advised to refer to the circulars issued by Exchange from time to time for the formats applicable for the respective half-year.

Further, Stock Brokers / Trading Members are advised to adhere to the norms prescribed under paragraph 15.6 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, w.r.t Appointment and Rotation of Internal auditors. Accordingly, Stock Brokers / Trading Members shall not appoint or re-appoint the internal auditor who has completed its term as specified under paragraph 15.6.2.1 (iii) and paragraph 15.6.2.1(iv) of the SEBI Master Circular for Stock Brokers dated August 09, 2024.

With an objective to further strengthen the internal audit process/mechanism, the Exchange has put in place a framework for empanelment of auditors who are desirous of taking up assignments relating to internal audit of Stock Brokers / Trading Members. The Exchange shall accept the internal audit report certified by empanelled auditor only.

In this regard, the eligibility criteria and detailed procedure for empanelment of the auditors is prescribed in the Exchange Circular Reference No. NSE/INSP/60986 dated March 04, 2024.

As mentioned in the aforementioned Circular, the Audit Firms who meet the prescribed eligibility criteria may submit an online application for empanelment for undertaking assignments relating to internal audit of Stock Brokers / Trading Members of the Exchange by using the following URL on the Exchange website – <https://www.nseindia.com/>

Further, as advised by SEBI, and to enhance the ease of doing compliance and reduce operational difficulties faced by Members/Audit Firms, the auditors empanelled with any of the Exchange(s), shall be eligible to conduct internal audit of the Stock Brokers / Trading Members of any of the Exchange(s). The Stock Brokers / Trading Members may choose any of the empanelled auditors at any of the Exchange(s).

8.7 Cyber Security & Cyber Resilience Framework for Stock Brokers

8.7.1 Cyber Security and Cyber Resilience Audit of Stock Brokers

SEBI vide paragraph 61 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, prescribed the Cyber Security & Cyber Resilience Framework for Stock Brokers,

Further, para 61.63 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, prescribes the periodicity of cyber audit for the purpose of compliance with Cyber Security and Cyber Resilience provisions for different type of Stock Brokers.

To simplify the submission process and ensure uniform formats across Exchanges, the framework/TOR for Cyber Audit submissions have been revised from time to time, under the guidance of SEBI and in consultation with other Exchanges. The latest TOR applicable for Cyber Audit had been prescribed in Exchange Circular Ref. No. NSE/INSP/64439 dated October 08, 2024.

Further, the auditor must provide compliance status for each Terms Of Reference (“TOR”) item as Compliant/Non-Compliant/Not Applicable and in case of any TOR item which is not applicable, auditor is required to provide justification for non-applicability of said TOR. The submission of Cyber Security and Cyber Resilience Audit Report shall be considered complete only after Member submits the report to the Exchange after providing management comments.

All Stock Brokers / Trading Members are requested to take note that, for each non-compliance reported by the auditor, Members are required to submit corrective action taken report as per above mentioned timelines. On review of details of corrective action submitted by Stock Broker / Trading Member, the auditor shall submit the status of compliance as Compliant or Non-Compliant on ENIT.

Penalty/disciplinary action for Delay/Non-submission of Preliminary Audit Report / Corrective Action Taken Report and non-Closure of observations.

The following penalty/disciplinary actions as provided in Table below would be initiated against the Trading Member for Delay/Non-submission of Preliminary Audit Report and Corrective Action Taken Report.

Details of Violation	Period of violation	Penalty/disciplinary actions	Penalty/disciplinary action in case of repeated violation
Delay /Non-Submission of Preliminary audit /Corrective	From 1st day to 7th day:	Charges Rs. 1,500/- per day for Non QSB & Rs. 3,000/- per day for QSB from the due date till first 7 calendar days or submission of report, whichever is earlier.	In case of a repeat instance by the Trading Member, levy of applicable monetary penalty along with an escalation of 50%.

Details of Violation	Period of violation	Penalty/disciplinary actions	Penalty/disciplinary action in case of repeated violation
Action Taken Report	From 8th day to 21st day:	Charges of Rs. 2,500/- per day for Non QSB & Rs. 5,000/- per day for QSB from 8th calendar day after the due date to 21st calendar day or submission of report, whichever is earlier.	Levy of applicable monetary penalty along with an escalation of 50%.
	From 22nd day onwards:	In case of non-submission of report till 21st calendar days, new client registration shall be prohibited and notice of 7 calendar days for disablement of trading facility till submission of report, shall be issued. The disablement notice issued to the Trading Member will be shared with all the Exchanges for information.	
	After 28th day:	In case of non-submission of report by 28th calendar day, Trading Member shall be disabled in all segments till submission of report.	

Further, trading members are also required to submit closure status of all the non-Compliances reported in Cyber Audit by submitting Corrective Action Taken Report (ATR) within prescribed timeline. In order to ensure strict adherence for closure of non-Compliances within the prescribed timelines, following penalty as provided in Table below shall be Applicable for each High/Medium/Low risk non-compliance, which has not been closed in ATR as per prescribed timelines.

Risk rating reported by auditor	Applicable penalties for each High/Medium/Low risk non-closure of non- Compliances, which have not been closed in ATR (i.e., within prescribed timelines of submission of due date of preliminary audit report)	
	Non QSB Trading Members	QSB Trading Members
High Risk	₹ 50,000	₹ 100,000
Medium Risk	₹ 25,000	₹ 50,000
Low Risk	₹ 5,000	₹ 10,000
In case observations are not closed by Trading Members within three weeks from the due date for submission of Action Taken Report (ATR), new client registration to be prohibited and notice of 7 days for disablement of trading facility till closure of observation(s).		

The disablement notice issued to the Trading Member shall be shared with all the Exchanges for information. In case of non-closure of observation(s) within four weeks from the due date of submission of ATR, Trading Member shall be disabled in all segments until closure of observations(s).

Further, recognising the need for robust cybersecurity measures and protection of data and IT infrastructure, SEBI has issued 'Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs)' vide circular SEBI/HO/ ITD-1/ITD_CSC_EXT/P/CIR/2024/113 dated August 20, 2024. This framework is a necessary evolution to the changing threat landscape and rapid technological advancements and designed to ensure that SEBI REs maintain robust cybersecurity posture, remain equipped with adequate cyber resiliency measures and can withstand, respond to, and recover from cyber threats effectively. SEBI vide its circular SEBI/HO/ITD-1/ITD_CSC_EXT/P/CIR/2025/45 dated March 28, 2025, has extended the compliance timelines by three (3) months, i.e., till June 30, 2025.

8.7.2 Standard Operating Procedure (SOP) for handling Cyber Security Incidents

The Standard Operating Procedure (SOP) for handling Cyber Security incidents has been prescribed vide Exchange Circular Ref. No. NSE/INSP/66040 dated January 08, 2025, in co-ordination with other Exchanges and Depositories.

Stock Brokers / Trading Members shall ensure to report any cyber security incident within 6 hours of noticing/ detecting such incidents or being brought to the notice about such incidents (In case of inability in submitting cyber security incident by the Stock Broker / Trading Member on the Exchange portal, Stock Brokers / Trading Members may report the cyber security incident over email in the prescribed format on common group email ID as specified by SEBI/ Market Infrastructure Institutions (MIIs), so as to ensure adherence with the above prescribed timeline of 6 hours.

Further, the Exchanges may take/implement various precautionary containment measures/action to prevent any lateral movement of the threat/malware to the Exchanges/Depositories or to other Stock Broker/Trading Member networks through Exchange/Depository connectivity.

Precautionary Measure/ Action:

- The connectivity between the Members and Exchanges COLO/POP/SFTP/API, shall be kept disabled, in case of CRITICAL or HIGH severity cyber incidents.
- The connectivity shall be restored, ONLY once the Stock Broker / Trading Member submits "**Immediate Mitigation Measure Report**, certified by a Cert-IN empanelled Auditor which shall certify that, "the Risk with respect to the reported Cyber security Incident has been completely mitigated and there is NO potential for any lateral

movement of the threat/malware to the Exchange/Depository or to other Members' networks through Exchange/Depository connectivity of the Member."

The timelines applicable for following post incident reporting(s) / submissions by the Stock Brokers/Trading Members to the Exchange shall be as under:

Table 1

Sr. No.	Name of the Report / Activity	Timeline for Submission
1	Submission of Cyber Incident reporting (Immediate Submission)	Within 6 hours
2	Immediate Mitigation Measure Report	On same day
3	Interim Report*	T#+3 Days
4	Mitigation Measure Report**	T#+7 Days
5	Root Cause Analysis (RCA)*** report along with recommendations from Technology Committee of the RE	T#+30 Days##
6	Forensic Audit Report (on the incident) and its closure report****	Refer clause on Forensic Investigation/ Audit given below****
7	Vulnerability Assessment and Penetration Testing (VAPT) for cyber incident and its closure reports	T#+45 days
8	Any other report advised by Exchange/Depository/SEBI	To be submitted as per timelines advised by Exchange/Depository/SEBI

Notes:

T day refers to day of noticing / detecting such incidents or being brought to notice about such incidents.

Additional time may be granted by SEBI/ MIIs for the submission of RCA on a case-by-case basis on request of the Stock Broker / Trading Member taking into account the complexity and nature of the incident(s). The same shall be an exception rather than the rule.

*The interim report must contain, inter alia, the following: Details of the incident including time of occurrence, information regarding affected processes/ systems/

network/ services, severity of the incident, and the steps taken to initiate the process of response and recovery.

**** Mitigation Measure Report** to describe immediate action taken by the Stock Broker / Trading Member/DP upon noticing/ detecting such incidents or being brought to the notice about such incidents.

*****The RCA report** should inter-alia include exact cause of the incident (including root cause from vendor(s), if applicable), exact timeline and chronology of the incident, details of impacted processes/ systems /network /services, details of corrective/ preventive measures taken (or to be taken) by the entity along with timelines and any other aspect relevant to the incident. Additionally, it should also include time when operations/ functions/ services were restored and in the event of a disaster, time when disaster was declared.

******Forensic Investigation/ Audit**

1. For all incidents classified as High or Critical, the Stock Broker / Trading Member shall submit a forensic audit/ investigation report.
2. For incidents classified as low or medium, forensic report shall be submitted if the RCA is inconclusive or if the SEBI/ MII directs the same.
3. After the completion of forensic audit, Stock Brokers / Trading Members shall submit a final closure report, which shall include the root cause of the incident, its impact and measures to prevent recurrence. The timeline for submission of the reports (including closure reports), shall be decided based on discussion with all stakeholders. However, the maximum period for the submission of forensic audit report shall be 75 days from date of reporting of incident. In case the report is not submitted by the Stock Broker / Trading Member within the prescribed timeline, an appropriate regulatory action may be taken.
4. For all the issues/ observations submitted in the forensic report, the Stock Broker / Trading Member shall provide a timeline for fixing the same. This timeline shall be submitted along with the forensic investigation/ audit report. Once the issues are resolved, the Stock Broker / Trading Member shall file a closure report for the same after review (of the report) by respective *IT Committee for Members*.
5. In case the issues are not fixed within the prescribed timeline, appropriate regulatory action may be taken as deemed fit depending on the nature of incident.

As per Notification No. G.S.R 20(E) dated January 16, 2014, Rule (2) (h) of The Information Technology (The Indian Computer Emergency Response Team and Manner of Performing Functions and Duties) Rules, 2013 defines “Cyber Security Incident” as under:

“Cyber Security Incident” means any real or suspected adverse event in relation to cyber security that violates an explicitly or implicitly applicable security policy resulting in unauthorized access, denial of service or disruption, unauthorized use of a computer resource for processing or storage of information or changes to data, information without authorization;”

1. Threshold for classifying incidents: Any incident stated under CERT-In Cybersecurity directions and meeting below criteria shall be mandatorily reported within 6 hours of noticing/ detecting such incidents or being brought to notice about such incidents:
 - i. Cyber incidents of severe nature (such as Denial of Service, Distributed Denial of Service, intrusion, spread of computer contaminant including Ransomware) on any part of the public information infrastructure including backbone network infrastructure
 - ii. Data Breaches or Data Leaks
 - iii. Large-scale or most frequent incidents such as intrusion into computer resource, websites etc.
 - iv. Cyber incidents impacting safety of human beings.

Further, “Cyber Security Breach” shall be defined as any incident or security violation that results in unauthorized or illegitimate access or use by a person as well as an entity, of data, applications, services, networks and/or devices through bypass of the underlying cyber security protocols, policies and mechanisms resulting in the compromise of the confidentiality, integrity or availability of data / information maintained in a computer resource or cyber asset. A cyber security breach is a subset of cyber security incident”. It may be mentioned that this SOP is applicable to the cyber incidents reported by SEBI regulated REs directly, or by CERT-In, or by NCIIPC, or by MII’s or by SEBI or any government agency, as occurred at SEBI regulated REs.

2. REs shall have a well-documented Cyber Security incident handling process document (Standard Operating Procedure - SOP) in place. Such policy shall be approved by Board/Partners/Proprietor of the RE, as the case may be and shall be reviewed at least annually. The Cyber Security incident handling process document shall define decision on Action/ Response for the Cyber Security incident based on severity. All REs shall formulate an up-to-date Cyber Crisis Management Plan (CCMP) in line with national CCMP of CERT-In. CCMP shall be approved by Board/ Partners/ Proprietor of REs. Further, all REs shall develop an Incident Response Management Plan as part of their CCMP.
3. Cybersecurity incidents may be classified into the following four categories:
 - i. Critical Severity
 - ii. High Severity

iii. Medium Severity

iv. Low Severity

The parameters for classification of the incidents are as follows:

Sr. No.	Category	Details
1	Low	System probes or scans detected on external systems; intelligence received concerning threats to which systems may be vulnerable; intelligence received regarding username password compromise; isolated instances of known malwares easily handled by antivirus software, etc.
2	Medium	Target recon or scans detected; penetration or Denial of Service attacks attempted with no impact on operations; widespread instances of known malwares easily handled by antivirus software; isolated instances of a new malwares not handled by anti-virus software; instances of phishing emails that were not recognized by employees and were clicked by them; instances of data corruption, modification and deletion being reported, etc.
3	High	Penetration or Denial of Service attacks attempted with limited impact on operations; widespread instances of a new malwares not handled by anti-virus software; unauthorized access to servers and network devices; unauthorized or unexpected configuration changes on network devices detected; impersonation of SEBI officials and MII official in email communications; data exfiltration; unusually high count of phishing emails; instances of outbound phishing emails; some risk of negative financial or public relations impact, etc.
4	Critical	Successful penetration or Denial of Service attacks detected with significant impact on operations; ransomware attack; exfiltration of market sensitive data; widespread instances of data corruption causing impact on operations; significant risk of negative financial or public relations impact, large-scale data breach and any such adverse incidents which do not hamper the normal business operations but dent the overall cybersecurity posture of the organization etc.

Any incident that results in disruption, stoppage or variance in the normal functions/operations of systems of the entity thereby impacting normal/regular service delivery and functioning of the entity, must be classified as High or Critical incident.

4. REs shall report the Cyber Security incident to Indian Computer Emergency Response Team (CERT-In). Additionally, any entity whose systems have been identified as “protected system” by National Critical Information Infrastructure Protection Centre (NCIIPC), should report the incident to NCIIPC.
5. REs shall provide the reference details of the reported Cyber Security incident with CERT-In to the respective MIIs and SEBI. REs shall also provide details, regarding whether CERT-In team is in touch with the RE for any assistance on the reported Cyber Security incident. If the Cyber Security incident is not reported to CERT-In, REs shall submit the reasons for the same to the respective MIIs and SEBI. REs shall communicate with CERT-In/ Ministry of Home Affairs (MHA)/ Cyber Security Cell of Police for further assistance on the reported Cyber Security incident.
6. REs shall submit details whether Cyber Security incident has been registered as a complaint with law enforcement agencies such as Police or its Cyber Security cell. If yes, details need to be provided to the respective MIIs and SEBI. If no, then the reason for not registering complaint shall also be provided to respective MIIs and SEBI.
7. The details of the reported Cyber Security incident and submission to various agencies by the REs shall also be submitted to Division Chiefs (in-charge of divisions at the time of submission) of SEC-MIRSD, TPD-MIRSD and CISO of SEBI.
8. Any cyber-attack(s), cybersecurity incident(s) and breach(es) experienced by REs falling under CERT-In Cybersecurity directions shall be notified to SEBI and CERT-In within 6 hours of noticing/ detecting such incidents or being brought to notice about such incidents. This information shall be shared to SEBI through the email ID mkt_incidents@sebi.gov.in and group email ID of all MII’s-member.cir@bseindia.com within 6 hours and SEBI Incident Reporting Portal within 24 hours. Trading member/ Depository Participants shall also report the incident(s) to Stock Exchanges/ Depositories along with SEBI and CERT-In within 6 hours of noticing/ detecting such incidents or being brought to notice about such incidents. Any/ all other cybersecurity incident(s) shall be reported to SEBI, CERT-In and NCIIPC (as applicable) within 24 hours. It may be noted that in case any RE does not report a cybersecurity incident to SEBI (when the RE is/ was aware of the incident) in a manner as laid down in the applicable cybersecurity framework, appropriate regulatory action may be taken as deemed fit depending upon the nature of the incident.
9. In case if the incident occurs in a particular business function of the RE, the RE will have to inform the MII of that business function e.g., in case the incident is in the Depository function of the RE, the RE will have to inform the respective Depositories with whom it is registered.

10. During the life cycle of incident handling, the following aspects need to be broadly covered/captured:
 - i. Whether the RE has followed the incident response plan of their organization while handling the incident.
 - ii. Whether the RE has taken necessary (immediate) measures to contain the incident impact.
 - iii. Whether the RE has communicated to all relevant stakeholders about the incident.
 - iv. Whether RE has taken sufficient measures to control, mitigate and remediate the incident.
 - v. Whether Root cause analysis (RCA) has been performed by RE.
 - vi. Whether lessons learnt have been implemented by RE.
 - vii. Whether the issues/loopholes identified in RCA stage have been addressed/plugged by the RE.
 - viii. Whether RE has hired any independent agency to conduct IS Audit/ forensic audit related to the incident (as per applicability).
 - ix. Whether RE has addressed/plugged vulnerabilities identified in the audit mentioned in point h above.
11. The RCA, forensic audit, VAPT reports shall be reviewed by the respective IT Committee for REs before the reports are submitted to SEBI/MIIs. A report on the review conducted/ recommendations provided by IT Committee for REs shall also be submitted to SEBI/MIIs along with the reports mentioned in Table No. 1. Further, the vulnerabilities identified in VAPT shall be closed within 3 months from the submission of report. REs are also expected to maintain risk register which shall be reviewed by the IT Committee for REs.”
12. SEBI/MII may examine the incident on the basis of reports submitted. Further, RE shall classify the cybersecurity incident based on its severity as per Table No 2 and the same shall be reviewed by respective IT Committee for REs of the RE before the reports are submitted to SEBI/MIIs. Cybersecurity incidents occurred at Qualified RE’s and categorized as Critical or High which has high impact & has a broad reach for such incidents qualified REs shall issue a press release within a one working day from the intimation of normalcy of operation to Exchange. The press release shall include (but not limited to) a brief of the incident, actions taken to recover, normal operation resumption status (once achieved), etc. and inform all the affected customers/

stakeholders. In case of any delay in issuance of PR by qualified RE's penalty shall be applicable as per Table – 3.

13. In case the reports are found to be deficient or inaccurate in any manner (for instance no identification or incorrect identification of root cause, inaccurate sequence of events, etc.), appropriate action may be taken by SEBI/MIIs as deemed fit depending upon the nature of the incident. RE may be provided an additional time upto 15 days from the day of being notified of the deficiency/ inaccuracy, for submitting the accurate and complete report.
14. In the event of RE not submitting accurate and complete reports after being provided additional time, appropriate action may be taken as deemed fit depending upon the nature of the incident (over and above the action mentioned in clause 13 above).
15. Critical or High category of cybersecurity incidents experienced by Qualified REs, and Mid-size REs may be reviewed by SEBI. Remaining incidents i.e., low and medium for all REs, and high and critical severity incidents for small-size and self-certification REs may be processed by MII or/ and SEBI. The review of cyber incidents shall be as follows:
 - 15.1 **Review of Critical or High Category of cybersecurity incidents in Qualified and Mid-Size REs**
 - i. For critical/high category incidents, SEBI may confirm the severity or recommend a different severity on the basis of its analysis.
 - ii. SEBI may examine the reports, review the severity of the incident and provide its recommendations on the same.
 - iii. Further, if the SEBI determines that the incident occurred on account of non-compliance of SEBI cybersecurity framework/ advisories, appropriate regulatory action may be taken on the RE notwithstanding any action levied above.
 - iv. The recommendations of the SEBI shall be implemented by the RE in a time-bound manner. The timelines for the implementation shall be decided by the committee based on the discussion with relevant stakeholders (i.e. SEBI and the RE).
 - v. RE may be required to submit audit report(s) to verify the implementation of committee's recommendations.
 - 15.2 **Review of other cyber incidents**
 - i. Cyber incidents not falling under category mentioned in Para 15.1, may be examined by SEBI/MII on the basis of the documents submitted by the RE.

- ii. Further, if it is determined that the incident occurred on account of non-compliance of SEBI/MII cybersecurity framework/ advisories, appropriate regulatory action may be taken on the RE notwithstanding any action levied above.
- iii. RE shall formulate a remediation and mitigation plan. The timelines for implementation of the measures shall also be decided based on the discussions (between SEBI/MII and RE).

In case, Non-submission of Cyber Incident, Mitigation Report, RCA, Forensic Audit Report, VAPT Report as stated under Table-1 are not submitted within the timelines, following penalties shall be applicable to such Members: -

Sr. No.	Penalty for not submitting the above reports within due date	For All Members/ DPs (other than QSB/QREs)	For QSB/QRE Members
1	Non-submission of Cyber Incident reporting (Immediate Submission) within the time (within 6 hours) specified by the Exchange.	If the incident not reported within 6 hours. Rs. 20,000/- per day till the incident is reported subject to a maximum of Rs. 2 lakhs per incident.	If the incident is not reported within 6 hours. Rs. 20,000/- per day till the incident is reported subject to a maximum of Rs. 10 lakhs per incident.
2	Charges per day for the first 7 calendar days or till submission Mitigation Report, RCA, Forensic Audit Report & VAPT Report whichever is earlier.	Rs. 1500 per day	Rs. 3000 per day
3	Charges per day from 8th calendar day to 21st calendar day or submission Mitigation Report, RCA, Forensic Audit Report & VAPT Report whichever is earlier.	Rs. 2500 per day	Rs. 5,000 per day
4	In case of non-submission within 21 calendar days from the due date of submission Mitigation Report RCA, Forensic Audit Report & VAPT Report	New Client registration to be prohibited and notice of 7 days for disablement of trading facility shall be issued. The disablement notice issued	

Sr. No.	Penalty for not submitting the above reports within due date	For All Members/ DPs (other than QSB/QREs)	For QSB/QRE Members
		to the member/ DP will be shared with all the MII's for information.	
5	In case of non-submission within 28 calendar days from the due date of submission Mitigation Report RCA, Forensic Audit Report & VAPT Report	Member/DP shall be disabled in all segments till receipt of complete submission.	
6	In case press release is not issued within a one working day from the intimation of normalcy of operation to Exchange(s)/Depositories. (QRE/QSB)	Penalty of Rs. 50,000/- in case PR is issued post one working day and thereafter penalty Rs 10,000/- per working day for any additional delay subject to maximum penalty of Rs 1,00,000/-.	

Considering the severity of the cyber security incident (viz; Critical / High / Medium), number of active clients with the said Member (viz; equal to or greater than 50,000 active UCC clients as on March 31) and such other parameters as defined from time to time, the matter may be placed before the Joint / Relevant Committee of the Exchange(s)/Depositories. Below mentioned Penalty which shall be applicable based on review of Member/ DP submissions by the Joint/ Relevant Committee of Exchange(s)/ Depositories: -

In case the reports (as stated under Table-1 above) are found to be inaccurate or incomplete / missing component in any manner (for instance - no identification or incorrect identification of root cause, inaccurate sequence of events, missing / incomplete component, etc.) and if the cyber incident occurred on account of non-compliance of SEBI cyber security policies and guidelines, penalties as prescribed under Table below shall be applicable to such Members/ DPs.

Particulars	Penalty Amount for All Members / DPs (other than	Penalty Amount for QREs/QSBs Members
In case the reports (as stated under Table 1) are found to be deficient or incomplete / missing component in any manner by the Joint / Relevant Committee of Exchange(s)/ Depositories	Rs 50,000/- per incomplete/missing component	Rs 1,00,000/- per incomplete/missing component

Particulars	Penalty Amount for All Members / DPs (other than	Penalty Amount for QREs/QSBs Members
In case the report is found to be misleading or inaccurate	Rs 1,00,000/- per misleading or inaccurate component	Rs 2,00,000/- per misleading or inaccurate component.
In the event of the REs not submitting accurate and complete reports after being provided with additional time (if provided by the Joint / Relevant Committee of Exchange(s)/ Depositories)	Rs 2,00,000/	Rs 4,00,000/-
If the Joint / Relevant Committee of Exchange(s)/ Depositories determines that the incident occurred on account of non-compliance of SEBI cyber security policies and guidelines such as incident happened due to a vulnerability existing in the system and the vulnerability was not identified during VAPT prior to incident and/or incident happened due to a vulnerability was not closed and incident happened outside the VAPT closure timelines.	Rs 2,00,000/- per non- Compliance	Rs 4,00,000/- per non- Compliance

In case recommendations of Joint / Relevant Committee of Exchange(s)/Depositories are not implemented by them within the prescribed timeline, the following progressive slab-wise structure for imposition of "Penalty / Regulatory Action" shall be followed from the expiry of the deadline specified by Joint/ Relevant Committee of Exchange(s)/Depositories.

Sr. No.	Penalty in case of delay beyond the deadline as specified by Joint / Relevant Committee of Mlls/Exchange(s)/Depositories	For All Members (other than QSBs/QREs)	For QSBs/QREs Members
1	Charges per day for the first 7 calendar days or till submission of report, whichever is earlier.	Rs. 10,000 per day	Rs. 20,000 per day
2	Charges per day from 8th calendar day to 21st calendar day	Rs. 20,000 per day	Rs. 40,000 per day

Sr. No.	Penalty in case of delay beyond the deadline as specified by Joint / Relevant Committee of Mills/Exchange(s)/Depositories	For All Members (other than QSBs/QREs)	For QSBs/QREs Members
	or submission of report, whichever is earlier.		
3	In case of non-submission/non implementation of recommendations of Joint/Relevant Committee of Exchange(s)/Depositories within 21 calendar day from the due date of submission	New Client registration to be prohibited and notice of 7 days for disablement of trading facility shall be issued. The disablement notice issued to the members will be shared with all the Exchanges/Depositories for information	
4	In case of non-submission/non implementation of recommendations of Joint/Relevant compliance Committee of Exchange(s)/Depositories within 28th calendar day from the due date of submission	Member/DP shall be disabled in all segments till receipt of complete submission / closure of non-compliance.	

8.7.3 Quarterly Cyber Incident Reporting of Cyber Security & Cyber Resilience framework for Stockbrokers

SEBI vide its circulars SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018, SEBI/HO/MIRSD/TPD/P/CIR/2022/93 dated June 30, 2022, SEBI/HO/ITD-1/ITD_CSC_EXT/P/CIR/2024/113 dated August 20, 2024, prescribed the Cyber Security and Cyber Resilience Framework.

Further, Exchange *vide* its Circulars no. NSE/ITRC/40081 dated January 30, 2019, and NSE/INSP/53387 dated August 23, 2022, on Cyber Security & Cyber Resilience framework, prescribed that the trading members are required to report Cyber Incident(s) for the quarter within 15 days from the quarter ended June, September, December and March of every year through member portal. ENIT > ENIT-NEW-TRADE >Trade> Incident Report> Quarterly Report Submission.

The penalty for non-submission / late submission of cyber incident reporting (quarterly submission) within the time specified by the Exchange.

The following penalty/disciplinary actions as provided in Table below would be initiated against the Trading Member for Delay/Non-submission of cyber incident reporting (quarterly submission):

Details of Violation / Contravention	Penalty/disciplinary actions	Penalty/disciplinary action in case of Repeat violation / contravention
Non-submission of Cyber Incident reporting (Quarterly Submission) within the time specified by the Exchange.	<ol style="list-style-type: none"> For 1st week after due date, Charges of Rs. 2,500/- per day Charges of Rs. 5000/- per day from second week after due date In case of non-submission within three weeks from the due date of submission, new client registration to be prohibited and notice of 7 days for disablement of trading facility till submission of data/report. The disablement notice issued to the member shall be shared with all the Exchanges for information. In case of non-submission four weeks from the due date of submission, Member shall be disabled in all segments till submission of data/report 	<p>In case of a repeat instance by the Member, levy of applicable monetary penalty along with an escalation of 50%.</p> <p>In case of non-submission within three weeks from the due date of submission, new client registration to be prohibited and notice of 7 days for disablement of trading facility till submission of data/report.</p> <p>The disablement notice issued to the member shall be shared with all the Exchanges for information.</p> <p>In case of non-submission three weeks from the due date of submission, Member shall be disabled in all segments till submission of data/report.</p>

8.8 System Audit of Stock Brokers / Trading Members

In accordance with paragraph 16 of the SEBI Master Circular for Stock Brokers dated August 09, 2024 and Exchange Circular Ref No. NSE/INSP/61770 dated April 26, 2024 and NSE/INSP/64438 dated October 8, 2024, Stock Brokers / Trading Members are required to carry out system audit of their trading facility as per the following applicability criteria and timelines:

Applicability criteria

		Members using the trading software							
Sr. No.	Category of Member	Only NEAT		Both NEAT and NNF and presence in ≤ 10 have ≤ 50 terminals		Both NEAT and NNF and presence in > 10 locations or have > 50 terminals		NEAT, NNF and ALGO (irrespective of location and terminals)	
		Terms of Reference (ToR)	Frequency of audit	Terms of Reference (ToR)	Frequency of audit	Terms of Reference (ToR)	Frequency of audit	Terms of Reference (ToR)	Frequency of audit
1	Stock Brokers /Trading Members			Type - II	Once in 2 years	Type - II	Annual	Type III	Half yearly
2	Stock Broker/Trading Members who are also depository participants or are involved in offering any other financial services	Type - I	Annual	Type - II	Annual	Type - II	Annual	Type III	Half yearly

Note: Trading software provided by the Exchange (NEAT / NEAT+) and software provided by Application Service Provider (ASP) shall not be covered in the system audit.

To simplify the submission process and ensure uniform formats across Exchanges, the framework/TOR for System Audit submissions have been revised from time to time, under the guidance of SEBI and in consultation with other Exchanges. The latest TOR applicable for System Audit had been prescribed in Exchange Circular Ref. No. NSE/INSP/64438 dated October 08, 2024.

Currently, as part of system audit requirement auditor submits the compliance status of System audit Tor along with the compliance of section/clause 4 related to algorithmic trading for all Algo IDs used by Stock Brokers / Trading Members. Further, auditors will be provided Algo MIS Link under Auditor MIS Tab (ENIT Portal) which will be a screen-based submission where a list of all the Registered / Approved Algo IDs of Stock Broker / Trading Member shall be provided for ease of reference. In case if any Algo ID is not complying with 38 checks of Section 4, auditor shall provide the details of non-compliant Tor point(s) along with their observations.

Additionally, auditor will also be provided details of vendor/in-house developed products & application being used and registered with Exchange by Stock Broker / Trading Member, through a separate link <**Version Confirmation Report**> for which system auditor shall confirm whether the Stock Broker / Trading Member has deployed the latest version in live environment and provide its version number being used for each product in last two columns through screen-based submission.

The system audit report can be submitted only after submission of “Algo MIS Report” and “Version Confirmation Report”. Submission of system audit report shall be considered complete only after the trading member submits the report to the Exchange after providing management comments.

Further, auditor must provide compliance status for each TOR item as Compliant/Non-Compliant and Not Applicable and in case of any TOR item which is not applicable, auditor is required to provide justification for the non-applicability of said TOR.

All Stock Brokers / Trading Members are requested to take note that, for each non-compliance reported by auditor, Stock Brokers / Trading Members are required to submit corrective action taken report as per regulatory guidelines. On review of details of corrective action submitted by Stock Broker / Trading Member, the auditor shall submit the status of compliance as Compliant or Non-Compliant on ENIT.

Further, SEBI vide its circular SEBI/HO/MIRSD/TPD/CIR/2025/10 dated January 31, 2025, issued Framework for Monitoring and Supervision of System Audit of Stock Brokers (SBs) through Technology Based Measures prescribed. The proposed framework shall come into force for the audit period FY 2025-26. A copy of the aforesaid SEBI Circular is enclosed herewith as **Exhibit 50**.

Penalty/disciplinary action for Delay/Non-submission of Preliminary Audit Report / Corrective Action Taken Report and non-Closure of observations.

The following penalty/disciplinary actions as provided in Table below would be initiated against the Trading Member for Delay/Non-submission of Preliminary System Audit Report and Corrective Action Taken Report.

Details of Violation	Period of violation	Penalty/disciplinary actions	Penalty/disciplinary action in case of repeated violation
Delay /Non-Submission of Preliminary audit /Corrective	From 1st day to 7th day:	Charges Rs. 1,500/- per day for Non QSB & Rs. 3,000/- per day for QSB from the due date till first 7 calendar days or submission of report, whichever is earlier.	In case of a repeat instance by the Trading Member, levy of applicable monetary penalty along with an escalation of 50%.

Details of Violation	Period of violation	Penalty/disciplinary actions	Penalty/disciplinary action in case of repeated violation
Action Taken Report	From 8th day to 21st day:	Charges of Rs. 2,500/- per day for Non QSB & Rs. 5,000/- per day for QSB from 8th calendar day after the due date to 21st calendar day or submission of report, whichever is earlier.	Levy of applicable monetary penalty along with an escalation of 50%.
	From 22nd day onwards:	In case of non-submission of report till 21st calendar days, new client registration shall be prohibited and notice of 7 calendar days for disablement of trading facility till submission of report, shall be issued. The disablement notice issued to the Trading Member will be shared with all the Exchanges for information.	
	After 28th day:	In case of non-submission of report by 28th calendar day, Trading Member shall be disabled in all segments till submission of report.	

Further, trading members are also required to submit the closure status of all the non-Compliances reported in System Audit by submitting Corrective Action Taken Report (ATR) within prescribed timelines. In order to ensure strict adherence for closure of non-Compliances within the prescribed timelines, following penalty as provided in Table below shall be Applicable for each High/Medium/Low risk non-compliance, which has not been closed in ATR as per prescribed timelines.

Risk rating reported by auditor	Applicable penalties for each High/Medium/Low risk non-closure of non- Compliances, which have not been closed in ATR (i.e., within prescribed timelines of submission of due date of preliminary audit report)	
	Non QSB Trading Members	QSB Trading Members
High Risk	₹ 15,000	₹ 30,000
Medium Risk	₹ 7,500	₹ 15,000
Low Risk	₹ 2,500	₹ 5,000
In case observations are not closed by Trading Members within three weeks from the due date for submission of Action Taken Report (ATR), new client registration to be prohibited and notice of 7 days for disablement of trading facility till closure of observation(s).		

The disablement notice issued to the Trading Member shall be shared with all the Exchanges for information. In case of non-closure of observation(s) within four weeks from the due date of submission of ATR, Trading Member shall be disabled in all segments until closure of observations(s).

8.9 **Advisory for Enhancement of API Authentication & Security for Trading Members**

Securities market participants and entities have been experiencing cyber – attacks which are rapidly growing in frequency and complexity.

Additionally, on analysis of cyber-attacks reported by Stock Brokers / Trading Members in the past, it has been observed that these incidents occurred due to vulnerable APIs used as part of the software products/services.

In order to avoid the occurrence of such cyber incidents and ensure secure usage of API, Stock Brokers / Trading Members *vide* Exchange Circular Ref. No. NSE/INSP/62912 dated July 11, 2024 are advised to adopt the following best practices.

Maintain Inventory of API: Inventory of API including ownership, criticality / impact of API shall be maintained.

Strong Authentication Mechanisms: Employ strong & mutual authentication mechanisms such as API keys, OAuth, or IWT, ensuring secure token management practices and setting appropriate expiration times.

Centralized API Security: Establish an API gateway for centralized security enforcement and a web application firewall (WAF) to protect against common web threats. Implement an API security gateway for both internal and external APIs. Disable any public API lacking secure authentication or strengthen it as per advisory at the earliest.

Data Protection and Secure Communication: Prioritize data protection by encrypting sensitive data, applying data masking techniques and using secure communication protocols to prevent eavesdropping and information leakage. Additionally, integrity checks through checksum or digital signature should be implemented to ensure data integrity and to avoid data manipulation/MITM.

Input Validation and Output Encoding: Validate and sanitize user inputs to prevent injection attacks and encode output to protect against HTML/JavaScript injection.

Rate Limiting and Throttling: Implement rate limiting and throttling mechanisms to prevent abuse and DDoS attacks, limiting requests from a single client within a specific time frame.

Error Handling and Logging: Ensure proper error handling and comprehensive logging for monitoring and auditing purposes.

Cross-Origin Resource Sharing: Configure CORS properly to restrict unauthorized cross-origin requests.

Secure Storage of Secrets: Do not store or transmit API keys, credentials and sensitive data without secure encryption and access controls.

Regular Security Assessments: Conduct regular security assessments, including penetration testing, security audits, and code reviews. All APIs need to be assessed for security weakness / vulnerabilities and the checks should be aligned to OWASP Top 10 API security framework.

Documentation: Maintain clear documentation on secure API usage, including examples of proper authentication and authorization methods. For APIs facilitating sensitive business flows access shall be restricted on need-to-know basis.

Privacy Protection: Minimize data collection to essential information, comply with relevant privacy regulations and obtain user consent for data processing. Integrate privacy considerations from the initial stages of API development, performing a Privacy Impact Assessment (PIA) to identify and mitigate potential privacy risks.

Secure Software Development Lifecycle (SDLC): Integrate security considerations into the entire API development process and conduct security training for developers to promote secure coding practices.

Annual Software Audit (ISO 12207:2017): Conduct an annual software assessment as per ISO 12207:2017 standards for Systems and Software Engineering.

8.10 Advisory for Stockbroker - Member onboarding for CERT-In Cyber Swachh a Kendra (CSK)

In recent times, there has been a surge in cyber-attacks in organizations across the globe impacting the continuity of their business operations and causing sensitive data leakage through malware infections at end point computing devices. To mitigate such malware and botnet infections, CERT-In has launched an initiative named 'Cyber Swachhta Kendra' (CSK), which provides information and enables organizations to disinfect the computing devices using free-of-cost malware and botnet cleaning tools.

In view of the above and to create a secure cyber eco-system, Stockbrokers having more than 50,000 active traded clients and also providing Internet Based Trading platform are required to onboard themselves on 'Cyber Swachhta Kendra' Platform. Other Stock Brokers / Trading Members (not part of the above criteria) can also voluntarily subscribe to the services and avail actionable information intelligence from CSK.

For receiving the reports/alerts from Cyber Swachh a Kendra on daily basis, Stockbrokers are required to follow the guidelines as given in **Exhibit 51** for onboarding Stockbroker on Cyber Swachh Kendra Portal.

Exchange vide Circular Reference No. NSE/INSP/64465 dated October 9, 2024 has stated the following:

The "Cyber Sacha Kendra" (Botnet Cleaning and Malware Analysis Centre) is a part of the Indian Computer Emergency Response Team (CERT-In). It has been set up for analysing BOTs/malware characteristics, providing information, and enabling citizens for removal of BOTs/malware. In addition, "Cyber Swachh a Kendra" will strive to create awareness among citizens to secure their data, computers, mobile phones, and devices such as home routers.

The "Cyber Swachhta Kendra" collaborates with industry and academia to detect systems infected by bots. It also collaborates with the Internet Service Providers to notify the end users regarding infection of their system and providing them assistance to clean their systems. The center will also enhance awareness of common users regarding botnet, malware infections and measures to be taken to prevent malware infections and secure their computers / systems / devices.

8.11 VAPT Audit Report Submission

As per paragraph 61.43 to paragraph 61.46 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, Stock Brokers / Trading Members shall conduct the Vulnerability Assessment and Penetration Testing (VAPT) at least once in a financial year by engaging only CERT-In empanelled organizations for conducting VAPT and submit the final VAPT report through Stock Broker / Trading Member portal to the Stock Exchanges after approval from Technology Committee of the respective Stock Broker / Trading Member, within 1 month of completion of VAPT activity as per the scope defined in paragraph 61.13 & paragraph 61.46 of the SEBI Master Circular for Stock Brokers dated August 09, 2024. Stock Exchanges in consultation with SEBI, clarified that the VAPT shall be carried out and completed during the period September to November of every financial year and the final report on said VAPT shall be required to be submitted to the Stock Exchanges within one month from the date of completion of VAPT after approval from Technology Committee of respective Stock Broker / Trading Member *vide* Exchange Ref No. NSE/INSP/53387 dated August 23, 2022.

In view of the above, Exchange *vide* Circular Ref No. NSE/INSP/63908 dated September 12, 2024, advised all Stock Brokers / Trading Members shall carry out VAPT which *inter-alia* include all critical applications (trading, back office & related activities) and infrastructure components like Servers, Networking systems, Security devices, load balancers pertaining to the activities done as Stock Brokers. The broad area / scope (not limited to) for conduct of VAPT shall also include the following activities:

- a) Grey Box assessment of web applications, mobile applications, APIs and thick client applications.
- b) Authenticated (wherever possible) Vulnerability Assessment of infrastructure (operating systems, databases & middleware, endpoint devices, network devices, security devices, cloud).

- c) External Penetration Testing of all public facing URLs / Ips.
- d) Review of network architecture of critical infrastructure.
- e) Firewall rule review.
- f) Configuration of audit of infrastructure (operating systems, databases & middleware, endpoint devices, network devices, security devices, cloud).
- g) Wireless penetration testing.

Further, the detailed scope of audit, findings and outcomes of these activities shall be provided in the comprehensive VAPT report along with checklist of test cases providing “FAIL” and “PASS” status.

The detailed VAPT report along with the summary report (as per format specified in **Exhibit 52** as a single document shall be digitally signed by CERT-In empanelled entity to be submitted to the Exchange. The submission shall be considered complete only if detailed VAPT report along with summary report is digitally in single file is uploaded on member portal.

In addition, the Stock Brokers / Trading Members shall perform vulnerability scanning and conduct penetration testing prior to the commissioning of a new system which is a critical system or part of an existing critical system. Further, any gaps / vulnerabilities detected shall be remedied on immediate basis and compliance of closure of findings identified during VAPT shall be submitted to the Exchanges within 3 months post the submission of final VAPT report. For any open vulnerabilities as reported & submitted in VAPT report, Stock Brokers / Trading Members are required to submit ATR/Compliance Report (as per format specified in **Exhibit 53** along with Closure report of all the vulnerabilities closed digitally signed by the CERT-In empanelled entity as appointed by the Stock Broker / Trading Member on Trading Member portal.

Further, Trading Members are advised to refer the circulars issued by Exchange from time to time for the conduct of VAPT.

Penalties/Disciplinary action(s) for non-submission of VAPT Report and/or Compliance Report and/or non-closure of open vulnerabilities

In order to ensure strict adherence to the regulatory requirements by the Stock Brokers / Trading Members with the prescribed framework applicable for VAPT report, Compliance report and for timely closure of vulnerabilities, NSE *vide* Circular Ref No. NSE/INSP/63908 dated September 12, 2024, has prescribed the following penalties / disciplinary actions.

Non-submission of VAPT report and/or compliance report within below specified dates by Members (other than QSB's):

Details of Violation	Penalty/ Disciplinary actions	Penalty/ disciplinary action in case of repeated violation
Non-submission of VAPT report on or before December 31 and/or Compliance report on or before March 31.	<p>1.Charges Rs. 1,500/- per day till first 7 calendar days or submission of report, whichever is earlier.</p> <p>2.Charges of Rs. 2,500/- per day from 8th calendar day to 21st calendar day or submission of report, whichever is earlier</p> <p>3.In case of non-submission of report till 21st calendar days, new client registration shall be prohibited and notice of 7 calendar days for disablement of trading facility till submission of report, shall be issued.</p> <p>4.The disablement notice issued to the Stock Broker / Trading Member will be shared with all the Exchanges for information.</p> <p>5.In case of non-submission of report by 28th calendar day, Stock Broker / Trading Member shall be disabled in all segments till submission of report.</p>	<p>In case of a repeat instance by the Stock Broker / Trading Member, levy of applicable monetary penalty along with an escalation of 50%.</p> <p>In case of non-submission of report till 21st calendar days, new client registration shall be prohibited and notice of 7 calendar days for disablement of trading facility till submission of report, shall be issued. The disablement notice issued to the Stock Broker / Trading Member will be shared with all the Exchanges for information. In case of non-submission of report by 28th calendar day, Stock Broker / Trading Member shall be disabled in all segments till submission of report.</p>

Non-submission of VAPT report and/or compliance report within below specified dates by QSB's Members:

Details of violation	Penalty/ disciplinary actions	Penalty/ disciplinary action in case of repeated violation
Non-submission of VAPT report on or before June 30/December 31 and/or Compliance report on or before September 30/March 31.	<p>1.Charges Rs. 3,000/- per day till first 7 calendar days or submission of report, whichever is earlier</p> <p>2.Charges of Rs. 5,000/- per day from 8th calendar day to 21st calendar day or submission of report, whichever is earlier</p> <p>3.In case of non-submission of report till 21st calendar days, new client registration shall be prohibited and notice of 7 calendar days for disablement of trading facility till submission of report, shall be issued.</p> <p>4.The disablement notice issued to the Stock Broker / Trading Member will be shared with all the Exchanges for information.</p> <p>5.In case of non-submission of report by 28th calendar day, Stock Broker / Trading Member shall be disabled in all segments till submission of report.</p>	<p>In case of a repeat instance by the Stock Broker / Trading Member, levy of applicable monetary penalty along with an escalation of 50%.</p> <p>In case of non-submission of report till 21st calendar days, new client registration shall be prohibited and notice of 7 calendar days for disablement of trading facility till submission of report, shall be issued. The disablement notice issued to the Stock Broker / Trading Member will be shared with all the Exchanges for information. In case of non-submission of report by 28th calendar day, Stock Broker / Trading Member shall be disabled in all segments till submission of report.</p>

Penalty/Disciplinary actions applicable in case of non-closure of per open vulnerabilities as reported in VAPT report within period of 3 months as specified hereunder:

Categories of Risks	For All Members (other than QSBs)	For QSB Members
	Non closure of open vulnerabilities by March 31	Non closure of open vulnerabilities by March 31 (for HY September 30) and by September 30 (for HY March 31)
High/critical Risk	Rs. 50,000/-	Rs. 1,00,000/-
Medium Risk	Rs. 25,000/-	Rs. 50,000/-
Low Risk	Rs. 10,000/-	Rs. 20,000/-

Apart from the monetary penalty mentioned above, if High/Critical/Medium vulnerability is not closed by Stock Broker / Trading Member within 21 days from the due date of submission of compliance report, new client registration shall be prohibited and notice of 7 days for disablement of trading facility shall be issued. If the vulnerability is not closed during this notice period, then Stock Broker / Trading Member shall be disabled in all segments till closure of the vulnerability. The disablement notice issued to the Stock Broker / Trading Member will be shared with all the Exchanges for information.

Risk Based Supervision

As communicated *vide* Exchange Circular Ref No: NSE/INSP/28288 dated December 8, 2014, SEBI/Exchanges had put in place a system of “Risk Based Supervision” of Stock Brokers / Trading Members in order to regulate the marketplace effectively and strengthen its regulatory framework.

Risk Based Supervision Model follows four distinct steps:

- Assessing the risk posed by a market entity,
- Assigning ‘risk and impact rating’ to it,
- Determine the supervisory risk rating score
- Adopt a suitable supervisory approach.

In this regard, SEBI has formulated a Risk Assessment Template in consultation with Stock Exchanges and various Member Associations, Stock Broker / Trading Member risk is calculated based on the information available with Exchange and details submitted by Stock Brokers / Trading Members to Exchange. The submission is to be made electronically through ENIT only and no physical copies need to be submitted to the Exchange.

The submission of RBS data is mandatory for all active Stock Brokers / Trading Members of the Exchange (i.e. those who have executed even a single trade during the submission period (respective Half Year/ Financial Year)) and in case of any non-submission by a Stock Broker / Trading Member, appropriate disciplinary action may be initiated. Stock Brokers / Trading Members are also requested to preserve and maintain the working of the data submitted for Risk Based Supervision as the same may be verified during the inspections.

The following penalty/disciplinary actions as provided in Table below would be initiated against the Trading Member for Delay/Non-submission of Risk Based Supervision (RBS):

Details of Violation / Contravention	Penalty/disciplinary actions	Penalty/disciplinary action in case of Repeat violation / contravention
Failure to submit data for Risk Based Supervision within the time specified by Exchange.	<p>1. For 1st week after due date, Charges of Rs. 2,500/- per day</p> <p>2.Charges of Rs. 5000/- per day from second week after due date</p> <p>3.In case of non-submission within three weeks from the due date of submission, new client registration to be prohibited and notice of 7 days for disablement of trading facility till submission of data/report.</p> <p>The disablement notice issued to the member shall be shared with all the Exchanges for information.</p> <p>4. In case of non-submission four weeks from the due date of submission, Member shall be disabled in all segments till submission of data/report.</p>	<p>In case of a repeat instance by the Member, levy of applicable monetary penalty along with an escalation of 50%.</p> <p>In case of non-submission within three weeks from the due date of submission, new client registration to be prohibited and notice of 7 days for disablement of trading facility till submission of data/report.</p> <p>The disablement notice issued to the member shall be shared with all the Exchanges for information.</p> <p>In case of non-submission four weeks from the due date of submission, Member shall be disabled in all segments till submission of data/report.</p>

8.12 Submission of data with respect to Onsite/Offsite inspection and Enforcement through ENIT.

In our continuous endeavour to deliver superior customer experience, we have released “Inspection Data Communication” module on ENIT for submission of data/ clarifications to the Exchange with respect to onsite/offsite inspection and Enforcement. The Stock Brokers /

Trading Members would be able to access the said module through: ENIT>My Inspection> Inspection Data Communication.

Key features of the module are as follow:

- Members can view all the queries/ data requirements for each onsite/offsite inspection and Enforcement under a unique case id on the module and submit their response against respective query.
- Members shall receive a mail intimation for each new query/ data requirement.
- Members can track their previous submissions to the Exchange queries along with timelines.
- Navigation made easy and simple.

Detailed process manual on the operations of above module is enclosed as **Exhibit 54**.

Members may kindly note that all queries/ data requirements related to onsite/offsite inspections commenced with effect from February 15, 2023 shall be communicated through “Inspection Data Communication” and Stock Brokers / Trading Members are advised to submit relevant data/clarifications through said ENIT module only.

8.13 Enhanced Obligations and Responsibilities on Qualified Stock Brokers (QSBs).

SEBI, vide Gazette Notification dated January 17, 2023, amended the SEBI (Stock Brokers) Regulations, 1992 for designating certain Stock Brokers / Trading Members as QSBs. Subsequently, SEBI vide Circular Reference No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/24 dated February 06, 2023, on “Enhanced Obligations and Responsibilities on Qualified Stock Brokers (QSB)” enumerated the parameters for designating certain Stock Brokers / Trading Members, having regard to their size and scale of operations, likely impact on investors and securities market, as well as governance and service standards, as Qualified Stock Brokers (QSBs), on the basis of certain parameters and appropriate weightages thereon.

The following four parameters were considered for designating a Stock Broker / Trading Member as QSB, on an annual basis:

- 1.1 the total number of active clients of the Stock Broker / Trading Member;
- 1.2 the available total assets of clients with the Stock Broker / Trading Member;
- 1.3 the trading volumes of the Stock Broker / Trading Member (excluding the proprietary trading volume of the Stock Broker / Trading Member);
- 1.4 the end of day margin obligations of all clients of a Stock Broker / Trading Member (excluding the proprietary margin obligation).

Further, SEBI vide circular no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/14 dated March 11, 2024 on “Measures to instil trust in securities market-Expanding the framework of QSBs to more stock brokers” enumerated the following parameters, in addition to the aforementioned four parameters:

1.5 proprietary trading volume of the Stock Broker / Trading Member who are engaged in client’s trading;

1.6 compliance score of the Stock Broker / Trading Member, derived by assigning highest score to Stock Brokers / Trading Members with highest penalties levied across Exchanges; and

1.7 grievance redressal score of the Stock Broker / Trading Member, derived by assigning highest score to Stock Broker / Trading Member with highest count of investor complaints received across Exchanges.

On the basis of the parameters defined in the aforesaid circulars, Exchange vide circular NSE/INSP/67354 dated March 28, 2025, released the revised list of designated Qualified Stock Brokers (QSBs) which is enclosed as **Exhibit 55** (list is in alphabetical order and is not indicative of ranking).

QSBs shall be required to meet enhanced obligations and discharge additional responsibilities as specified in Comprehensive Operating Guidelines issued vide Exchange circular No. NSE/INSP/56927 dated June 1, 2023, and NSE/INSP/61134 dated March 14, 2024.

Exhibits enclosed:

1. Comprehensive operating guideline – **Exhibit 56**

2. Formats for reporting of compliances with operating guidelines to Exchange – **Exhibit 57**

Stock Brokers designated as QSBs vide Exchange circulars No. NSE/INSP/55875 dated March 3, 2023 and NSE/INSP/63011 dated July 19, 2024 and NSE/INSP/63666 dated August 30, 2024 and not included in **Exhibit 55**, shall continue to comply with the enhanced obligations and responsibilities, for an additional period of 3 financial years from the year when they were designated as QSB or such time, as may be specified by the Exchange, in consultation with SEBI.

SEBI vide paragraph 4.5 and 4.6 of the circular no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/14 dated March 11, 2024, has facilitated Stock Brokers / Trading Members to voluntarily get designated as QSBs. The stock brokers designated as voluntary QSBs by Exchange shall comply with the enhanced obligations and responsibilities as specified in Exchange circular No. NSE/INSP/56927 dated June 01, 2023 and NSE/INSP/61134 dated March 14, 2024 for a period of 1 year from the Stock Broker / Trading Member being designated a voluntary QSB. Further, they shall continue to comply with the enhanced obligations and responsibilities for an additional period of 3 financial years or such time, as may be prescribed by the Exchange, in consultation with SEBI.

8.14 **Framework for Adoption of Cloud Services by SEBI Regulated Entities (REs).**

In accordance with paragraph 66 of the SEBI Master Circular for Stock Brokers dated August 09, 2024, SEBI has prescribed “Framework for Adoption of Cloud Services”. The objective of the framework is to highlight the key risks, and mandatory control measures which Members need to put in place before adopting cloud computing. The framework also sets out the regulatory and legal compliances by Members if they adopt such solutions.

8.15 **Common violations / deficiencies observed by SEBI during the inspections of Trading Members.**

Exchange vide Circular Reference No. NSE/INSP/63648 dated August 29, 2024 issued a list of common violations/deficiencies observed by SEBI during the inspection of Stock Brokers / Trading Members for the period April 2023 to March 2024 and such list is enclosed as **Exhibit 58**. The violations/deficiencies observed are also available on the Exchange website in the following link: <https://www.nseindia.com/trade/common-irregularities-observed-during-inspection-by-sebi>.

8.16 **Common violations / deficiencies observed by the Exchange during the inspections of Trading Members.**

In continuation to the above, Exchange vide Circular Reference No. NSE/INSP/65693 December 19, 2024 issued a list of common violations/deficiencies observed by the Exchange during the inspections of Stock Brokers / Trading Members for the period April 2024 to September 2024 which is enclosed as **Exhibit 59**. The violations / deficiencies observed are also available on the Exchange website in the following link: <https://www.nseindia.com/trade/common-irregularities-observed-during-inspection-by-exchange>.

All Stock Brokers / Trading Members are advised to take note of the areas listed, put in place necessary systems and procedures to strengthen their compliance level and ensure adherence to the relevant compliance requirements.

8.17 **Administrative actions for shortfall in the Networth required for Trading Membership**

Exchange vide Circular Reference No. NSE/INSP/63598 dated August 27, 2024 has specified the administrative actions to be taken in case of a shortfall in the Networth requirement required for a Stock Broker / Trading Member. If the Stock Broker / Trading Member is not meeting the minimum Networth prescribed for Stock Brokers / Trading Membership, as per SEBI Gazette Notification No. SEBI/LAD-NRO/GN/2022/73 dated February 23, 2022 and any amendment thereto and as per the continuing membership norms of the Exchange, wherein it is specified that all Stock Brokers / Trading Members are required to maintain minimum networth at all times, the Exchange shall block the deposits / collaterals (Cash and Cash Equivalents) of the Stock Broker / Trading Member as per below mentioned table. Upon initiating blocking of deposits/collaterals, no exposure shall be available to the Stock Broker / Trading Member on

such blocked deposits / collaterals (Cash and Cash Equivalents) until recoupment of shortfall in networth by the Stock Broker / Trading Member to the satisfaction of the Exchange.

The Exchange shall follow a graded mechanism by blocking the deposits / collaterals (Cash and Cash Equivalents) as specified in the Table given below.

Shortfall as a % of the prescribed minimum Net Worth for Trading Membership	Blocking of deposits / Collaterals #
Shortfall up to 10%	10%
Shortfall over 10% and up to 20%	25%
Shortfall over 20% and up to 50%	50%
Shortfall over 50%	100%

#Percentage shall be applied on the average daily total deposits / collaterals (i.e. cash and cash equivalent balances of proprietary and clients' deposits) in the previous calendar month and amount so derived shall be blocked only from proprietary deposits / collaterals subject to the minimum of shortfall amount.

Stock Brokers / Trading Members may please note that in order to ensure adequate residual risk mitigation, the amount to be blocked would be based on:

1. Previous calendar month's average daily total cash and cash equivalent balances of proprietary and clients' deposits as reported to all Clearing Corporations.
2. The percentage mentioned in the above table corresponding to the extent of shortfall shall be applied to the amount derived as per the Point (i) above, subject to minimum of shortfall amount.

The Exchange shall block the deposits / collaterals after 2 trading days from the date of intimation to the Stock Broker / Trading Member by the Exchange regarding the blocking of such deposits/collaterals.

As per the continuing membership norms of the Exchange, all Stock Brokers / Trading Members are required to maintain minimum networth as specified by SEBI and Exchange at all times. Accordingly, till the time the minimum networth requirement is not met to the satisfaction of Exchange, Stock Broker / Trading Member shall not be allowed to onboard new clients.

During inspection of networth, Stock Brokers / Trading Members are advised to promptly submit their response to the Exchange. Failure to submit response within the prescribed timelines along with documentary evidence as per list set out below, would be construed as "No additional information is available with the Stock Broker / Trading Member", and the Exchange shall proceed with the administrative action based on the available documents. It is, therefore,

emphasized that the Stock Brokers / Trading Members shall submit complete, accurate and correct information in response to Exchange communications during the inspection of networth.

The administrative actions taken/to be taken by the Exchange, as stated above, will be ceased/withheld once the Stock Broker / Trading Member submits documentary evidence (including list provided below) establishing recoupment of networth to the satisfaction of the Exchange. The Exchange shall process and communicate within 3 trading days from the date of last submission by the Stock Broker / Trading Member. Stock Brokers / Trading Members to note that shortfall in the networth shall be deemed to persist till the same is recouped by Stock Broker / Trading Member to the satisfaction of the Exchange.

The above administrative action shall be independent of any other disciplinary action / monetary penalty that may be levied by the Relevant Authority as may deem fit for the violation including incorrect / short reporting of networth to the Exchange, in accordance with Rules, Regulations, Byelaws and circulars by the Exchange from time to time.

List of documents to be submitted to the Exchange as applicable

- a) Chartered Accountant certificate certifying networth in prescribed format.
- b) General and party trial balance (with groupings).
- c) Balance sheet/Provisional balance sheet along with schedules.
- d) Ageing for the receivables with bifurcation between 0-90 days and more than 90 days
 - (i) Debtors
 - (ii) account wise details for loan/deposit/advances given/any other receivables.
 - (iii) the amount receivable from related parties for all the above-mentioned categories
 - (iv) client ledger of top 10 debtors for last six months
- e) List of MTF clients including outstanding balances.
- f) Account wise grouping of trade payables, unsecured borrowings, deposits payable, advances received from customers and any other payables.
- g) Details of Pledged securities (if any)
 - (i) ISIN, book value for each instance
 - (ii) Name of entities with whom securities have been pledged (CC/Bank/NBFC etc.)
 - (iii) Pledged stock statement from Pledgee.
- h) Details of stock/stock in trade available - Bifurcation of stock-in pledged securities and non-pledged securities (ISIN wise).
- i) Investment details (nature of business in case of unquoted investment in associate/related entities), along with bifurcation of quoted and unquoted securities.
- j) Loan and related party ledgers.
- k) Any other documents / supporting as sought by the Exchange.



REGULATORY REQUIREMENTS/ REFERENCES:

1	Compliance Calendar	Circular no. NSE/INSP/2004/32, download reference no. NSE/INSP/5496 dated 4th October 2004, Circular No. NSE/INSP/59543 dated November 29, 2023 and NSE/memb/8536 dated February 19, 2007
2	Guidelines for maintaining bank accounts and Reporting of Bank & Demat Accounts	<p>Download Ref. No.: NSE/INSP/2016/33409 dated October 14, 2016 and NSE/INSP/2016/33502 dated October 26, 2016;</p> <p>Download Ref No: NSE/INSP/46822, Circular Ref. No: 80/2020 dated December 28, 2020; Download Ref No: NSE/INSP/46930, Circular Ref. No: 1/2021 dated January 06, 2021</p> <p>SEBI Circular No. SEBI/HO/MIRSD/DOP/P/CIR/2021/653 dated October 28, 2021, Download Ref No: NSE/INSP/50164, Circular Ref. No: 54/2021 dated October 29, 2021</p> <p>Download Ref. No.:</p> <p>NSE/INSP/46729 dated December 18,2020</p> <p>NSE/INSP/46280 dated November 06, 2020</p> <p>NSE/INSP/46469 dated November 27, 2020</p> <p>NSE/INSP/47277 dated February 08,2021</p> <p>NSE/INSP/51235 dated February 03, 2022</p> <p>NSE/INSP/51639 dated March 15, 2022</p> <p>NSE/INSP/51985 dated April 12, 2022</p> <p>SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016, Download Ref. No.: NSE/INSP/33276; dated September 27, 2016 SEBI Circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017,</p> <p>Download Ref. No.: NSE/INSP/35184 dt June 23, 2017. SEBI Circular SEBI/HO/MIRSD/MIRSD_DPIEA/P/CIR/2022/83 dated June 20, 2022, Download Ref. No.: NSE/INSP/ 52677; dated June 20, 2022 and NSE/INSP/55904 dated March 09, 2023; SEBI Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/84 dated June 08, 2023; Exchange Circular NSE/INSP/57041 dated June 09, 2023, SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024.</p>
3	Application Programming Interface (API) for	Download Ref. Nos:

	Weekly submission of Holding Statement, Cash and Cash Equivalent Balances and Bank Balances	NSE/INSP/51191 dated January 31, 2022, NSE/INSP/51599 dated March 10, 2022, NSE/INSP/51938 dated April 06, 2022, and NSE/INSP/52829 dated June 30, 2022, NSE/INSP/55039 dated December 28, 2022, NSE/INSP/55250 dated January 13, 2023.
4	Submission of Designated Director details to FIU-IND	Download Ref. No.: NSE/INSP/27039; Circular Ref. No.: 189/2014 dated June 30, 2014; Download Ref. No.: NSE/INSP/27404; Circular Ref. No.: 195/2014 dated August 22, 2014.
5	Submission of Internal Audit Report	<p>SEBI Circular MIRSD/DPSIII/Cir-26/08 dated August 22, 2008;</p> <p>Download Ref. No. NSE/INSP/11537 dated October 23, 2008; NSE/INSP/12174 dated March 25, 2009; NSE/INSP/19176 dated October 19, 2011; SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016; Download Ref. No.: NSE/INSP/33276; dated September 27, 2016</p> <p>Download Ref. No.: NSE/INSP/36239 dated November 03, 2017</p> <p>Download Ref. No.: NSE/INSP/51110 dated January 24, 2022</p> <p>Download Ref. No.: NSE/INSP/ 51939 dated April 06, 2022; Exchange Circular No. NSE/INSP/59789 dated December 15, 2023;</p> <p>Exchange Circular No. NSE/INSP/61585 dated April 12, 2024;</p> <p>Exchange Circular No. NSE/INSP/60986 dated March 4, 2024</p> <p>Exchange Circular No. NSE/INSP/61585 dated April 12, 2024;</p> <p>Exchange Circular No. NSE/INSP/62239 dated May 30, 2024;</p> <p>Exchange Circular No. NSE/INSP/62550 dated June 21, 2024;</p> <p>Exchange Circular No. NSE/INSP/64378 dated October 4, 2024;</p> <p>Exchange Circular No. NSE/INSP/65125 dated November 19, 2024; and SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024.</p>
6	Cyber Security & Cyber Resilience Framework for Stockbrokers	SEBI Circular no. SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018, SEBI/HO/MIRSD/DOP/CIR/P/2019/109 dated October 15, 2019, SEBI/HO/MIRSD/TPD/P/CIR/2022/80 dated June 07, 2022, SEBI/HO/MIRSD/TPD/P/CIR/2022/93 dated June 30, 2022 and Exchange circular no. NSE/INSP/64439, NSE/ITRC/40081

		dated January 30, 2019, NSE/INSP/42422 dated October 16, 2019, NSE/INSP/52605 dated June 10, 2022, NSE/INSP/53387 dated August 23, 2022, NSE/INSP/61769 dated April 26, 2024 and NSE/INSP/64439 dated October 08, 2024.
7	Advisory for Enhancement of API Authentication & Security for Trading Members	Download Ref. No. NSE/INSP/62912 dated July 11, 2024.
8	Advisory for Stockbroker-Member onboarding for CERT-In Cyber Swachhta Kendra (CSK)	NSE/INSP/58951 dated October 16, 2023; NSE/INSP/64465 dated October 09, 2024.
9	VAPT Audit Report Submission	SEBI Circular No. SEBI/HO/MIRSD/TPD/CIR/2022/80 dated June 07, 2022, and Exchange Circulars NSE/INSP/53387 dated August 23, 2022, NSE/INSP/56927 dated June 01, 2023, NSE/INSP/63908 dated September 12, 2024.
10	Penalties/Disciplinary action(s) for Non-Submission of VAPT Report and/or Compliance Report and/or non-closure of open vulnerabilities	Exchange Circular no. NSE/INSP/57935 dated August 11, 2023.
11	System Audit of Trading Members	SEBI Circular CIR/MRD/DMS/ 34 /2013 dated November 6, 2013, Exchange Circular no. NSE/CMTR/26285 dated March 25, 2014; NSE/FAOP/26283 dated March 25, 2014; NSE/CD/26284 dated March 25, 2014; NSE/INSP/61770 dated April 26, 2024; NSE/INSP/62566 dated June 21, 2024; NSE/INSP/64438 dated October 8, 2024.
12	Penalties/Disciplinary action(s)/charges for System Audit Report and Cyber Security & Cyber Resilience Audit Report	Exchange Circular no. NSE/INSP/58755 dated October 05, 2023.
13	Risk Based Supervision	Download Ref No: NSE/INSP/28288 dated December 8, 2014, Download Ref No: NSE/INSP/28389 dated December 18, 2014 Download Ref No: NSE/INSP/61572, dated April 12, 2024 Download Ref. No: NSE/INSP/64441 dated October 08, 2024
14	Submission of data with respect to Onsite/ Offsite inspection and	Download Ref No: NSE/INSP/55042 dated December 29, 2022

	Enforcement through ENIT	
15	Enhanced Obligations and Responsibilities on Qualified Stock Brokers (QSBs).	Download Ref No: SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/24 dated February 06,2023; NSE/INSP/55875 dated March 03, 2023; NSE/ INSP/56927, dated June 01, 2023; SEBI Circular no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/14 dated March 11, 2024; Exchange Circular no. NSE/ISNP/61134 dated March 14, 2024; Exchange Circular no. NSE/INSP/63011 dated July 19, 2024; Exchange Circular no. NSE/INSP/63666 dated August 30, 2024; and Exchange Circular no. NSE/INSP/67354 dated March 28, 2025.
16	Framework for Adoption of Cloud Services by SEBI Regulated Entities (REs)	SEBI Circular No. SEBI/HO/ITD/ITD_VAPT/P/CIR/2023/033 dated March 06, 2023 (Download ref no: NSE/INSP/55895 dated March 08, 2023); SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024
17	Contribution of Information to RBI – FinTech Repository	Download Ref. No. NSE / INSP/66302 dated January 24, 2025.
18	Common violations / deficiencies observed by the Exchange during the inspections of Trading Members.	Download Ref. No.: NSE/INSP/63648 dated August 29, 2024; Download Ref. No.: NSE/INSP/65693 dated December 19, 2024
19	Administrative actions for shortfall in the Networth required for Trading Membership	Exchange Download Ref. No.: NSE/INSP/63598 dated August 27, 2024
20	Quarterly Cyber Incident Reporting of Cyber Security & Cyber Resilience framework for Stockbrokers	SEBI circulars SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018, SEBI/HO/MIRSD/TPD/P/CIR/2022/93 dated June 30, 2022, and Exchange Circulars no. NSE/ITRC/40081 dated January 30, 2019, and NSE/INSP/53387 dated August 23, 2022, and NSE/INSP/67367 dated March 28, 2025.
21	Clarifications to Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs)	SEBI circular SEBI/HO/ITD-1/ITD_CSC_EXT/P/CIR/2024/113 dated August 20, 2024, SEBI/HO/ITD1/ITD_CSC_EXT/P/CIR/2025/45 Dated March 28, 2025, Exchange circular NSE/INSP/63502 dated August 21, 2024 and NSE/INSP/67365 dated March 28, 2025.

ITEM 9: ENFORCEMENT ACTIONS**9.1 Enforcement actions against the Trading Members**

Stock Brokers / Trading Members are requested to note that all the circulars related to penalty/disciplinary actions have been reviewed and consolidated into a common penalty structure and is enclosed as Schedule I of aforesaid Exchange Circular Reference No: NSE/INSP/53530 dated September 2, 2022. This circular is not applicable to any non-compliances/actions related to surveillance /investigation except to the extent covered therein. Revisions in penalty as mentioned in Schedule I including penalties prescribed for repeat violations as mentioned shall be effective for all Letter of Observations (“**LOs**”) issued with effect from September 8, 2022. Further, it may also be noted that where the discretion for levy of monetary penalty was available in the above circulars the same stands modified to the extent that all such discretion stands withdrawn. The **Schedule I** additionally covers penalties which are as under:

- The Penalties /disciplinary action(s)/charges for delay or non-submission of various periodic submissions as per **Annexure 1**.
- The Penalties /disciplinary action(s) for non-adherence to membership/ compliance requirements are per **Annexure 2**.
- The Penalties /disciplinary action(s) for non-compliances by the Market Maker in SME Segment and penalty for abnormal and non-genuine trade are as per **Annexure 3**.
- Disciplinary action in case of Net worth shortfall and non-submission of Net worth are as per **Annexure 4**.
- Penalties for non-adherence to the Guidelines on Technical Glitches to prevent business disruptions as per **Annexure 5**.

Upon receipt of Stock Brokers / Trading Members’ response to Exchange Communications, including the LO, the Exchange shall consider the same as final, and complete the enforcement actions by issuing an Action Letter.

Failure to submit a response to the LO within the prescribed timelines would be construed as "No additional information is available", and the Exchange shall proceed to complete the enforcement action based on the available documents.

It is brought to the notice of the Stock Brokers / Trading Members that any failure to adhere to the timelines unless extended by the Exchange as specified in the Exchange Communications, including the LO, shall be treated as non- cooperation, and appropriate disciplinary proceedings shall be initiated under Chapter IV of NSEIL Rules.

Attention in this regard is also drawn to Rule 17 under Chapter IV of NSEIL Rules which clearly stipulates that Reconsideration/Review of any order passed by the Exchange is only at the suo-moto discretion of the Committee.

Amendment in Rule 17 of NSEIL Rules : The words “or on appeal by the trading member concerned” in Rule 17⁹ under Chapter IV of NSEIL Rules are deleted and the Rule is amended as:

“Subject to the provisions of the Securities Contracts (Regulation) Rules, 1957 the relevant authority may of its own motion within 90 days from the date of communication of decision of the relevant authority to the member reconsider and may rescind, revoke or modify its resolution withdrawing all or any of the membership rights or fining, censuring or warning any trading member. In a like manner the relevant authority may rescind, revoke or modify its resolution expelling or suspending any trading member”.

The existing process of placing the matters before Member and Core Settlement Guarantee Fund Committee (“MCSGFC”) will continue to be followed for observations involving disciplinary action like the prohibition of onboarding of new clients, restriction on the onboarding of Authorized Persons or any action like disablement, suspension, expulsion, and declaration of default. In such cases, the Exchange shall issue a show cause notice and provide an opportunity of personal hearing before MCSGFC. However, the disablement of terminals shall continue to be applicable as per existing provisions/process for the following:

- Violations mentioned in Annexure 1 & 4 of Schedule I.
- Under SEBI SOP Circular Reference No. SEBI/HO/MIRSD/DPIEA/CIR/P/2020/115 dated July 01, 2020, regarding Stock Broker / Trading Member / Clearing Member leading to default, now subsumed under paragraph 76 of the SEBI Master Circular for Stock Brokers dated August 09, 2024.
- Exchange vide Circular Reference No. NSE/INSP/62813 dated July 05, 2024 has modified certain provisions of Schedule I of Exchange Circular Reference No. NSE/INSP/53530 dated September 02, 2022.

Trading Members are informed as follows:

- **Schedule I (B) Sr. No. 63 for observation ‘Member has not maintained pre order confirmation of trades’:**

SEBI Circular Reference No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018, mandates Stock Brokers / Trading Members to maintain evidence of pre-order placement for trades of clients.

Non-compliance to above Circular such as non-maintenance or not providing pre-order placement evidence for trades of clients when sought, shall be construed by the Exchange as unauthorized trade executed by the Stock Broker / Trading Member as said trades were executed without the consent of the client. Accordingly, penalty structure with respect to unauthorized trades informed vide Exchange Circular Reference No. NSE/ISC/60035 dated December 29, 2023, and similar circulars issued from time to time, shall be applicable to the above mentioned non-compliance.

➤ **Schedule I – Penalties where ‘Advice’ and ‘Warning’ is applicable:**

Further, in case where current applicable action as per penalty structure mentioned in Exchange Circular Reference No. NSE/INSP/53530 dated September 2, 2022 is ‘Advice’ or ‘Warning’ and the Exchange observes repeated violation of the same nature and magnitude subsequently, in such cases, the said action shall be escalated including monetary penalty.

9.2 Penalty Dashboard

The Exchange vide Circular Reference No. NSE/INSP/58613 dated September 27, 2023 and Circular Reference No. NSE/INSP/59543 dated November 29, 2023 introduced the framework for ‘Penalty Dashboard’ in the Inspection tab of Stock Broker / Trading Member Portal. Penalty Dashboard provides information regarding penalties imposed, along with specific violations associated with each penal action on an on-line basis. Penalty dashboard is designed to provide information to Stock Brokers / Trading Members on observed non-compliances and associated penal actions. It is a centralized platform where the data is consolidated from various regulatory functions and the information is made available at one place.

Salient features of the Penalty Dashboard are as follows:

1. Stock Brokers/Trading Members will have access to information about function-wise penalties levied by the Exchange, enabling them to monitor their compliance status and take timely corrective actions.
2. A separate tab where Stock Broker / Trading Member can view the last 10 penalties imposed by the Exchange.
3. Members will have access to financial year wise historical penalty data facilitating detailed analysis to enhance overall compliance.
4. All Stock Brokers / Trading Members having access to Stock Broker / Trading Member Portal > Inspection will have access to Penalty Dashboard functionality.

5. Expected / Indicative penalty: The Expected penalty will include the indicative penalties as per Exchange Circular Reference No. NSE/INSP/53530 dated September 02, 2022, pursuant to the Letter of Observations issued by the Exchange post November 27, 2023. The penalties mentioned are only indicative in nature and subject to revision, if any. The relevant authority of the Exchange shall take the final decision on the penalty actions after considering your submissions.
6. Directions given by relevant authority for specific compliance: The specific compliances to be adhered to by Stock Broker / Trading Member as directed by the Relevant Authority shall be displayed under this tab along with status of compliance and due date. This will assist the Stock Broker / Trading Member to track the compliance status more effectively.
7. IGRP orders / Arbitration awards: The details of IGRP orders / Arbitration awards will be displayed under this tab. The details include the IGRP / Arbitration / Appellate Arbitration ref. no., date, amount and collection details pursuant to the IGRP orders / Arbitration / Appellate awards.
8. Compliance Calendar: The calendar will include compliances applicable to Members for the current month and the same will be updated on a monthly basis for subsequent month. This includes submission timelines for various periodic compliances along with due date for each compliance submission.
9. Know Your Penalties (KYP): The Know Your Penalties (KYP) contains those penalty provisions where the Exchange has observed maximum non-compliances committed by Members. All such identified penalties are collated and explained in a concise manner in KYP so that the Stock Broker / Trading Member can use it as a ready reckoner and take required corrective measures to avoid penalties.

Members may kindly refer to the process manual enclosed herewith as **Exhibit 60** containing detailed instructions on how to access and use the dashboard and snapshots of location of new functionalities.

While Penalty dashboard endeavours to provide correct and latest information about the penal actions taken by various regulatory functions, the same is provided for quick reference and for general purposes only and may not be considered as final penalty. The Stock Brokers / Trading Members are advised to refer official communication received from the Exchange for authenticity of the penal actions. The Exchange is not responsible for any errors or omissions, or any losses caused due to the usage of this information in dashboard. The Exchange is in the process of incorporating more features in the Penalty Dashboard in subsequent releases to provide additional information to Members. The same will be intimated to all Members as and when it is implemented in the dashboard. For any queries pertaining to the dashboard, please reach out to us at dl-insp-enforcement@nse.co.in mentioning the subject line as 'Penalty Dashboard'.

Compliance Calendar includes compliances which have specific due dates and does not include routine/ongoing/event-based compliances like client code modification, error account etc.

All Members are requested to note that the amount collected in the form of penalty does not constitute any part of the revenue of the Exchange. The entire amount of penalty collected is credited to Investor Protection Fund (IPF) account.

REGULATORY REQUIREMENTS/ REFERENCES:

1	Enforcement actions against the Trading Members	Circular Download Ref. No: NSE/INSP/53530 dated September 2, 2022, Download Ref No: NSE/INSP/54386 dated November 11, 2022, NSE/INSP/56053 dated March 20, 2023 NSE/INSP/64144 dated September 25, 2024; NSE/INSP/62813 dated July 05, 2024; SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/110 dated August 09, 2024.
2	Penalty Dashboard	NSE/INSP/58613 dated September 27, 2023 NSE/INSP/59543 dated November 29, 2023