

National Stock Exchange of India Limited

Circular

DEPARTMENT: INSPECTION	
Download Ref No: NSE/INSP/73503	Date: March 27, 2026
Circular Ref. No: 9/2026	

To All Members,

Sub: Common violations/deficiencies observed by the Exchange during the inspections of Trading Members and Authorised Persons

This is with reference to the Exchange Circular Ref. No. NSE/INSP/65693 dated December 19, 2024, wherein a list of common violations/deficiencies observed by Exchange during the inspections of Trading Members was communicated to the Trading Members.

In continuation to the above, a list of common violations/deficiencies observed by the Exchange during the inspections of Trading Members and Authorised Persons for previous two half years i.e. October 2024 to March 2025 and April 2025 to September 2025 is enclosed as Annexure A of this Circular. These violations/deficiencies observed are also available on the Exchange website under the following link.

<https://www.nseindia.com/trade/common-irregularities-observed-during-inspection-by-exchange>

All 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.

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

**Kapil Marwah
Associate Vice President**

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

Regional Office	CONTACT NO.	E MAIL ID
Ahmedabad (ARO)	079-65278024/55	inspectionahm@nse.co.in
Chennai (CRO)	044- 66309915/17	inspection_cro@nse.co.in
Delhi (DRO)	011-23459146/127/144/147	delhi_inspection@nse.co.in
Kolkata (KRO)	033-40400412 / 59	inspection_kolkata@nse.co.in
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Annexure A

A. Common irregularities observed by the Exchange during the inspection of Authorised Persons for two half years i.e. October 2024 to March 2025 and April 2025 to September 2025 are as follows:

Sr. No.	Classification	Violations
1	Authorised person (AP) related	Authorised Person (AP) is engaged in receiving or paying funds from/to clients and other individuals/entities.
		Authorised Persons (APs) influencing clients and doing unauthorized trading by taking user ID and Password from the clients.
		Authorised Person (AP) seeking authorization from clients to trade on their behalf.
		Authorised Persons (APs) trading in client's account with focus on generating brokerage.
		Email-ID/Mobile number of Authorised Person (AP) mapped to the clients in UCC records.
		Inspection of Authorised Persons (APs) not undertaken by the Trading Member as per prescribed requirements.
		Issuance of advertisements/promotional material/ performance claims or solicitation content by Authorised Person (AP) through print, digital, or social media without prior approval of the Exchange through the Trading Member
		Non maintenance of pre trade confirmations or order placement evidence of the clients mapped with Authorised Person (AP)
		Authorised Person (AP) is offering fixed/periodic/assured returns and indulging in mis-selling/Profit Sharing / Account Handling / Unauthorized PMS.
		Terminals of the Authorised Person (AP) are not found at the location reported to the Exchange.
		Terminals situated at the place of inspection were not operated by registered Authorised Person (AP) or employee of the AP.
		Notice Board, Authorised Person (AP) approval letter, SEBI Registration Certificate of Trading member, Do's and Don'ts, Investor Charter, etc., not displayed at the AP's office. Complaint register is not maintained at AP's office
Non-Reporting/Incorrect reporting of clients mapped to Authorised Persons (APs)		

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B. Common irregularities observed by the Exchange in the books of Trading members for two half years i.e. October 2024 to March 2025 and April 2025 to September 2025 are as follows:

Sr. No.	Classification	Violations
1	Bank transfers related	Non permissible transfer of funds between USC NBA, DSC NBA and any other bank account of the Trading Member
		Member has not changed the nomenclature as Up Streaming Client Nodal Bank Account (USC NBA) and Down Streaming Client Nodal Bank Account (DSC NBA) of all such accounts which hold clients' funds
		Member has not wound up all the existing "client unpaid securities accounts"
2	Demat related	Member has not undertaken tagging of DP accounts as required
3	KYC related	Non-maintenance of client registration documents containing all the prescribed mandatory documents and all fields are not properly filled up.
		Contravening clauses incorporated in client registration documents
		Copy of duly completed Client Registration Documents was not delivered to the client within 7 days and free of charge.
		Member has not complied with the SEBI Circular Ref. No. SEBI/HO/MIRSD/DOP/CIR/P/2020/73 dated April 24, 2020 regarding "Clarification on KYC Process and Use of Technology for KYC" while online onboarding of clients.
		Trading member has not informed to existing clients about Most Important Terms and Conditions (MITC)
		Trading Member has not taken acknowledgement on Most Important Terms and Conditions (MITC) from new clients.
4	Maintenance of records by the Trading member	Non upload of the KYC data with CKYC in respect of individual accounts opened
		Member has not kept appropriate evidence in respect of the order placed by their clients.
		Trading Member has not maintained the evidence of payout requests received from the clients (other than Settlement) for part payment of credit balance clients
		Non-Maintenance of Register of Securities, Holding Statement, Bank Book and Client Ledger in the prescribed standard format

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		Trading member has not taken latest documentary evidence in support of financial information provided by the client in derivative segment.
		Non-maintenance of Register of complaints
		Well documented risk management policy is not maintained.
5	Margin Facility related Trading (MTF)	Adequate margins have not been collected by the Member in the form of cash and cash equivalent or Group I equity shares with appropriate hair cut.
		Member has not adhered to Exposure Limits while granting the Margin trading facility.
		Member has provided margin trading facility in other than the Group 1 securities.
		Trading Member has incorrectly reported Daily margin trading file (MTR file).
6	Margin/settlement related	Incorrect reporting of margin collection from clients to the Exchange
		Non-Settlement of client funds
		Non-issuance/ delay in issuance of Daily Margin Statement to clients
		Issuance of Daily Margin Statement to clients with incorrect/incomplete details
		Member has made pay-out of funds to clients in excess of their available credit balances.
		Material discrepancies in the retention statement sent to the clients
		Trading member has not sent an intimation including the details about the transfer of funds to clients by SMS & email at the time of running account settlement of funds.
		Non-issuance / delay in sending of retention statement/ statement of accounts at the time of settlement of client accounts.
		Transfer of funds to clients towards running account settlement not undertaken using electronic modes
		Member has passed on the penalty levied on account of short collection of upfront margins to client
7	Other areas	Discrepancy in computation of Net-worth

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		Non-display of Notice Board & SEBI registration certificate at the inspection location
		Trading member has not captured the IP (Internet Protocol) address (from where the orders are originating) for all IBT/ STWT orders.
		Information about the grievance redressal mechanism is not displayed at all the offices of the Member for the information of the investors.
		Delay in issue of Contract notes to the clients
		Trading Member has allowed trading in the account of a minor.
		Invocation of client securities in excess of debit balance of the clients
8	Reporting of data to the Exchange	Incorrect data submitted by the Member towards Risk Based Supervision (RBS)
		Member has incorrectly reported the data towards "Segregation and Monitoring of Collateral at Client Level" to Clearing Member/Clearing Corporation
		Member has not reported the opening /closure of their Bank/ DP accounts to the Exchange within the prescribed timelines
		Member has incorrectly reported the data towards the Settlement of Running Account of Clients Funds lying with Trading Members
9	Terminal related	Terminals situated at the place of inspection were not operated by employee, partner/proprietor/Director(s), registered authorized persons (AP) or employee of an AP.
		Terminals observed at the inspection location were not as per the information reported to the Exchange.
		Error in upload/ non-upload of terminal details to the Exchange
10	UCC related	Trading Member has not marked clients as inactive in the UCC database
		Mobile Numbers and E mail Ids of clients are not uploaded in the UCC database as per the details provided by the client in the client registration documents
		Common email id and/or mobile number uploaded for multiple clients not belonging to same family as prescribed in SEBI Circular Ref. no. CIR/MIRSD/15/2011 August 2, 2011 and SEBI Circular Ref. no. SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2024/169 dated December 3, 2024
11	Upstreaming of client's funds	Member has not ensured that all the clients clear credit balances are upstreamed to the clearing corporation within the specified timelines

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		<p>Member has not ensured that: -</p> <p>i) Clients clear credit balances retained with TM are on account of justifiable reasons.</p> <p>ii) Justifiable reasons of clear credit balances reported in the segregation file as “Retained with TM” or “Retained with CM” are incorrectly reported to Clearing Corporation (CC)</p> <p>iii) Clients clear credit balances reported as “Retained with TM” or “Retained with CM” are available in USCNBA/DSCNBA/Settlement Account of the Stock Brokers /Clearing Members and/or in transit to the CC.</p>
12	Cybersecurity related	Cyber Security and Cyber Resiliency Policy not approved
		Identification and classification of critical assets in Risk/Asset Register not being as per the Exchange's requirements.
		Two Factor authentication not enabled/enabled but not validated on important systems, used for both trading and administration.
		Inadequate Password policy.
		Configuration of DLP in Monitoring mode instead of prevention mode leading to inadequate configuration.
		Non integration of all assets under Firewall and SOC, logs not retained/stored for required period and review logs not done.
		Improper delineation of roles and responsibilities for employees/ vendor resources with respect to privileged accesses or access/ usage of systems and networks.
		Generic IDs having privileged access without proper ownership.
		Web filtering configurations do not have an extensive coverage for filtering out malicious/unauthorised websites.
		Powershell, command prompt and script enabled on endpoints without any business requirement / approval.
		Whitelisting of ports/ open ports not as per business requirements.
Encryption practices partially/not implemented for data at rest.		
13	VAPT Related	Non coverage of all the broad areas in the VAPT scope (APIs, Mobile application, web application, Wi-Fi) not as per Exchange guidelines.
		Non implementation of appropriate rate limits and throttling of requests for functionalities such as OTP generation and emails.

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		Usage of obsolete version of applications even after updated/upgraded version are available.
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