

# National Stock Exchange of India Limited

## Circular

| DEPARTMENT: INSPECTION          |                     |
|---------------------------------|---------------------|
| Download Ref No: NSE/INSP/74836 | Date: June 23, 2026 |
| Circular Ref. No: 32/2026       |                     |

To All Members,

### Sub: Clarification to Rule 8(1)(f) and 8(3)(f) of Securities Contracts (Regulation) Rules, 1957

Department of Economic Affairs, Ministry of Finance has published the amendment of Securities Contracts (Regulation) Rules, 1957 in the Gazette of India on May 19, 2025. The following Proviso has been inserted to Rule 8 (1)(f) and 8 (3)(f) which is as under: -

In Rule 8 of the Securities Contracts (Regulation) Rules, 1957,

(i) in sub-rule (1), in clause (f), after the first proviso, the following proviso shall be inserted, namely:

*“Provided further that investments made by a member shall not be construed as business except when such investments involve client funds or client securities or relate to arrangements which are in the nature of creating a financial liability on the broker.”*

(ii) in sub-rule (3), after clause (f), following proviso shall be inserted, namely:-

*“Provided further that investments made by a member shall not be construed as business except when such investments involve client funds or client securities or relate to arrangements which are in the nature of creating a financial liability on the broker.”*

In view of the above amendment, Point No. 1 and 2 of illustrative list of activities issued vide Exchange Circular Ref No. NSE/COMP/50957 dated January 07, 2022 which are construed as non-compliance to Rule 8(1)(f) and 8(3)(f) of SCRR, if undertaken by a member, are modified as below: -

1. Issuing Corporate Guarantees towards credit facilities availed by any entity, including group companies such as subsidiaries & associates etc. of the Member.
2. Deposit pledged with the bank for overdraft facilities availed by any entity, including the group companies such as subsidiaries & associates etc. of the Member.

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Further, Point No. 3 to 12 of illustrative list of activities as prescribed in Exchange Circular Ref No. NSE/COMP/50957 dated January 07, 2022, stand deleted.

FAQs on the illustrative list of activities that were construed as non-compliance to Rule 8(1)(f) and 8(3)(f) of SCRR, if undertaken by a member, are provided in Annexure-A.

Members are advised to take note of the above.

**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:

| Regional Office   | CONTACT NO.                     | E MAIL ID                    |
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## Annexure -A

### Frequently asked Questions (FAQs)

***Question No.1: - Whether members are permitted to engage into activities/schemes of unauthorised collective investments/portfolio management, promising or indicating fixed/guaranteed/regular returns/capital protection.***

**Answer:** - Engaging into activities/schemes of unauthorised collective investments/portfolio management, promising or indicating fixed/guaranteed/regular returns/capital protection are not permitted as prescribed in Clause No. 20 of SEBI (Stock Brokers) Regulations, 2026.

Hence, indulging in such activities by any trading member shall be considered as violation of SEBI (Stock Brokers) Regulations, 2026 and prescribed disciplinary actions shall be taken.

***Question No.2: - Whether members are permitted to enter into any arrangement with clients to extend loans, financing the securities transactions directly/indirectly except as allowed for Margin Trading purposes.***

**Answer:** - Members shall not indulge in financing Securities Transactions. Members shall desist from financing or acting as a conduit or front 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 as per Exchange Circulars no. NSE/INSP/6938 dated December 9, 2005, NSE/INSP/47278 dated February 9, 2021, and NSE/INSP/52888 dated July 5, 2022.

Hence, indulging in such financing Securities Transactions by any trading member shall be considered as violation of the aforesaid Circulars and prescribed disciplinary actions shall be taken.

***Question No.3: - Whether members are permitted to enter into any arrangement with registered clients to borrow funds/loans.***

**Answer:** - Borrowing funds from the clients, except from those clients who are also director, associate or group company to meet the working capital requirements, by the Trading Member shall be considered as providing unregistered portfolio management services/ unauthorised collective investments, promising or indicating assured returns/fixed/guaranteed/regular returns to the clients which are not permitted as prescribed in Clause No. 20 of SEBI (Stock Brokers) Regulations, 2026.

Hence, indulging in such activities by any trading member shall be considered as violation of SEBI (Stock Brokers) Regulations, 2026 and prescribed disciplinary action shall be taken.

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***Question No.4: - Whether members are permitted to pledge client securities with Bank/NBFC for raising funds.***

**Answer: -** Pledging of client securities with Bank/NBFC for raising funds is not permitted as per SEBI Circular Ref No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019.

Hence, indulging in such activities by any trading member shall be considered as violation of the aforesaid Circular and prescribed disciplinary action shall be taken.

***Question No.5: - Whether members are permitted to enter into any arrangement/scheme for accepting securities from any client/ entity other than through approved Securities and Lending Borrowing mechanism into the own Demat account of the Stockbroker/director/shareholder/entity associated with Trading Member.***

**Answer: -** Entering into any arrangement/scheme for accepting securities from any client/ entity other than through approved Securities and Lending Borrowing mechanism into the own Demat account of the Stockbroker/director/shareholder/entity associated with Trading Member are not permitted as per SEBI Circular Ref. No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 and Exchange Circular No. NSE/CMPT/15017 dated June 18, 2010.

Hence, such activities shall be considered as violations of the aforesaid Circular and prescribed disciplinary action shall be taken.

***Question No.6: - Whether members are permitted to enter into any arrangement/scheme and providing a platform to the clients for buying and selling of digital gold or any product not covered under the definition of securities as per SCRR.***

**Answer: -** Exchange vide Circular Ref No. NSE/INSP/ 68566 dated June 16, 2025 has prescribed the regulatory framework for Distribution of third-party products by Trading Members. As per the regulatory framework, third party products (TPP) distributed/offered on the Platform must be regulated, directly or indirectly, by appropriate financial sector regulators.

Hence, any trading member found in violation of the aforesaid framework shall be liable for appropriate disciplinary actions.