

National Stock Exchange of India Limited

Circular

DEPARTMENT: INSPECTION	
Download Ref No: NSE/INSP/77149	Date: October 28, 2026
Circular Ref. No: 52/2026	

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. Nos. NSE/INSP/65693 dated December 19, 2024, and NSE/INSP/73503 dated March 27, 2026, wherein a list of common violations/deficiencies observed by Exchange during the inspection 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 half year i.e. October 2025 to March 2026 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

National Stock Exchange of India Limited

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- 40400404/06	inspection_kolkata@nse.co.in
Mumbai (WRO)	022-61928200	compliance_wro@nse.co.in
Central Help Desk	compliance_assistance@nse.co.in	

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Annexure A

A. Common irregularities observed by the Exchange during the Inspection of Authorised Persons for half year i.e. October 2025 to March 2026, are as follows:

Sr. no.	Heads	Violations
1	Authorised person (AP) related	Authorised Person (AP) is engaged in receiving or paying funds from/to clients and other individuals/entities.
		APs influencing clients and doing unauthorized trading by taking user ID and Password from the clients
		AP seeking authorization from clients to trade on their behalf.
		APs trading in client's account with focus on generating brokerage
		Email-ID/Mobile number mapped to the client code in UCC records.
		Inspection of Authorised persons not undertaken by the Trading Member as per prescribed requirements.
		Issuance of advertisements/promotional material/ performance claims or solicitation content by 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 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, AP Certificate, Registration Certificate, 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 half year i.e. October 2025 to March 2026, are as follows:

Sr. no.	Heads	Violations
1	Bank transfers related	Non permissible transfer of funds between USCNBA, DSCNBA and any other bank account of the Trading Member.
2	Demat related	Fully paid-up securities are pledged in Client unpaid securities pledgee account (CUSPA) by Trading Member
3	KYC related	Contravening clauses incorporated in client registration documents.
		Non-maintenance of client registration documents containing all the prescribed mandatory documents and all fields properly filled up.
		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.
		Copy of duly completed Client Registration Documents was not delivered to the client free of charge and within 7 days of upload of UCC.
		Trading Member has not communicated policy on "Voluntary freezing/blocking the online access of the trading account" to the new clients.
4	Maintenance of records by the Trading member	Member has not kept appropriate evidences in respect of the order placed by their clients.
		Non-Maintenance of Register of Securities, Holding Statement, Bank Book and Client Ledger in the prescribed standard format.
		Trading Member has not maintained the evidence of payout requests received from the clients (other than Settlement) for part payment of credit balance clients.
		Trading member has not taken latest documentary evidence in support of financial information provided by the client in derivative segment.
		Well documented risk management policy is not maintained.
5	Margin Trading Facility (MTF) related	Adequate margins have not been collected by the Member in the form of cash, cash equivalent or Group I equity shares, with appropriate haircut.
		Member has provided margin trading facility in non- eligible securities (other than Group 1 security).

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Sr. no.	Heads	Violations
6	Margin/settlement related	Non-issuance/ delay in issuance of Daily Margin Statement to clients.
		Incorrect reporting of margin/ MTM loss collection from clients to Exchange.
		Member has made pay-out of funds to clients in excess of their available credit balances.
		Issuance of Daily Margin Statement to clients with incorrect/incomplete details.
		Non-Settlement of client funds.
		Material discrepancies in the retention statement sent to the clients.
		Member has passed on the penalty levied on account of short collection of upfront margins to client.
		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.
7	Reporting of data to the Exchange	Member has not reported the opening /closure of their Bank 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.
		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.
		Trading Member has submitted incorrect data in Annual Returns.
		Non submission of addition/addendum to the undertaking within 7 working days from opening a new bank account empowering Exchange to freeze the bank account for all debits in the event of a potential default by the Member
8	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.
		Error in upload of trading terminal details to the Exchange
		Member has not ensured that the terminals allocated to Compliance officer are for the purpose of risk management /monitoring/testing or for view only purpose and no trades shall be executed from such terminals.

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Sr. no.	Heads	Violations
9	UCC related	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.
		Trading Member has not marked clients as inactive (who has not traded in the last 24 months) in the UCC database.
		Contract notes were sent to multiple clients on the same mail id; however no acceptable relationships were established.
10	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.
		Member has not ensured that: -
		i) Clients clear credit balances retained with TM are on account of justifiable reasons.
		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)
11	Other areas	Invocation of client securities in excess of debit balance of the clients.
		Discrepancy in computation of Net-worth.
		Delay in issue of Contract notes to clients.
		Trading member has not captured the IP (Internet Protocol) address (from where the orders are originating) for all IBT/ STWT orders.
		Non-display of Notice Board & SEBI registration certificate at the inspection location.
		Trading Member has allowed trading in the account of a minor.
		Member has not carried out surveillance of trading activities of clients.
		Funding of client transactions.
12	Cybersecurity Related	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.

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Sr. no.	Heads	Violations
		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 wscript 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.
		Web Application Firewall was not implemented by the members for protecting their infrastructure exposed to the internet.
		Controls for privileged access management were not implemented.
		Data-at-rest is not being subjected to encryption.