

National Stock Exchange Of India Limited**Department : MEMBER SERVICE DEPARTMENT**

Download Ref No: NSE/MSD/41333

Date : June 17, 2019

Circular Ref. No: 24/2019

All Market Participants,

Sub: Non Neat Systems - Operational Guidelines for approval of Non NEAT Front End (NNF) software for Application Service Providers (ASPs)

NSE offers a facility to its trading members by which members can use their own trading front-end software in order to trade on the NSE trading system. This software may be developed either by in-house teams/non-empanelled vendors or procured through Exchange Empanelled Vendors. A member may also opt to avail the services provided by Application Service Providers (ASPs) empanelled with the Exchange for providing such services. This facility referred to as 'Non NEAT Front End' (NNF) is available to all members of the Exchange.

The term 'Software' shall mean electronic systems or applications used by trading members for connecting to the Exchange and for the purposes of trading and real-time risk management, including software used for Computer to Computer Link (CTCL), Internet Based Trading (IBT), Securities Trading through Wireless Technologies (STWT), Direct Market Access (DMA) and Smart Order Routing (SOR).

- Computer to Computer Link (CTCL) - Members can use their own software running on any suitable hardware/software platform of their choice. This software will be a replacement of the NEAT front-end software that is currently used by members to trade on the NSE trading system. The dealers of the member may trade using the software, through the member's own private network, subject to approvals from Department of Telecommunication etc. as may be required in this regard.
- Internet Based Trading (IBT) including Securities Trading through Wireless Technologies (STWT) - Internet based trading can take place through order routing systems, which will route client orders, to exchange trading systems, for execution of trades on the existing stock exchanges. Securities Trading using Wireless technology shall include devices such as mobile phone, laptop with data card, etc, that use Internet Protocol (IP).
- Direct Market Access (DMA) - Direct Market Access (DMA) is a facility which allows brokers to offer clients direct access to the exchange trading system through the broker's infrastructure without manual intervention by the broker.
- Smart Order Routing (SOR) - Smart Order Routing allows the brokers trading engines to systematically choose the execution destination based on factors viz. price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.

In our continuous endeavor to facilitate ASPs, the comprehensive operational guidelines with respect to NNF software approval are being provided in this circular. The relevant existing SEBI/NSE circulars and communications issued from time to time shall continue to be applicable.

ASPs shall apply to the Exchange in the prescribed formats. Exchange shall consider only those applications that are complete in all respect. It may be noted that the approval granted by the Exchange to the NNF software do not, in any manner, represent or warrant that the said software shall be free of any error, omission, defect, bugs, shortcoming or limitation of any nature whatsoever. The ASP is solely responsible for ensuring that the NNF software does not result in any market abruptions, aberrations or disturbs/affects the integrity of the market / sanctity of price discovery mechanism. Further, the ASP shall be solely liable for all/any dysfunctional, erroneous or disorderly

functioning of the NNF software and for the consequences arising out of such functioning and the Exchange shall not be responsible for any consequences arising out of such functioning of the NNF software. The ASP shall at all times ensure that the NNF software shall not be used for any purpose that is contrary to applicable Circulars, Byelaws, Rules and Regulations of the Exchange and/or SEBI.

This circular shall be effective immediately and shall supersede all previous NSE circulars albeit only to the extent of approval process and its related forms/formats. For the convenience of ASPs applications received till EOD of June 18, 2019, shall continue to be processed as per the existing practice. Applications received thereafter shall be considered only as per the new formats. Existing applicants may also opt for the revised process by providing documents in the new formats.

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

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Operational guidelines for ASPs

1. In case of new software/systems of CTCL, IBT, STWT, DMA or SOR, ASP shall submit a one-time system audit report in the prescribed format. In this report, the system auditor shall cover the following areas of audit and submit their findings:
 - a. Risk Management
 - b. Security Policy and implementation
 - c. Capacity Management
 - d. Disaster Recovery and Backups
 - e. Vulnerability Test

The format of the System auditor report is enclosed as Annexure A. This report may be submitted along with the application for NNF product approval.

2. ASP seeking approval for new software/systems of CTCL, IBT, STWT, DMA or SOR shall provide the following documents to the Exchange:
 - Product brief including write up on Risk Management Systems.
 - Auditor's certificate – in this report, the auditor shall inter alia certify satisfactory test undertaken in User Acceptance Test (UAT), Exchange Test Environment and Mock Testing (or Simulated, as applicable). The format is enclosed as Annexure B1
 - Auditor's certificate – in this report, the auditor shall duly certify that software to be used by trading members for connecting to the stock exchanges and for the purposes of trading and real-time risk management, is in compliance with the various SEBI/Exchange circulars relevant at the time of application, more specifically with respect to Order Management, Systems and Network, Access and Security controls, Cyber Security & Cyber Resilience framework and Risk checks. This format is enclosed as Annexure B2.
3. ASP seeking approval for modified software/systems of CTCL, IBT, STWT, DMA or SOR shall provide the following documents to the Exchange:
 - Auditor's certificate (Annexure B1)
 - No change letter (Annexure D)