

National Stock Exchange of India

Circular

Department: SURVEILLANCE	
Download Ref No: NSE/SURV/63146	Date: July 30, 2024
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To All NSE Members

Sub: Advisory on Inventory Management for Market Makers on SME Platform

This is with reference to SEBI Circular nos. CIR/MRD/DP/14/2010 dated April 26, 2010, CIR/MRD/DSA/17/2010 dated May 18, 2010 and Exchange Circular no. NSE/SME/MEM/21427 dated on August 06, 2012 regarding Market Makers on SME platform and SEBI Circular no. CIR/MRD/DSA/31/2012 dated November 27, 2012 regarding Inventory Management for Market Makers of SME Exchange / Platform.

Exchange has observed that post exhaustion of the initial inventory, some of the Market Makers are not providing one-way 'Buy' quote for atleast 75% of time in a day. Further, some Market Makers have stopped providing two-way quotes for atleast 75% of time in a day, within permissible bid-ask spread limit, even after acquiring the new inventory (by providing one-way 'Buy' quote post exhaustion of the initial inventory). This results in non-compliance with the requirements of the above-mentioned SEBI/ Exchange circulars.

Accordingly, Market Makers are hereby advised to follow the below guidelines while managing their inventory during the process of market making:

1. In the event the Market Maker exhausts the inventory (i.e., Initial allotment and/or shares acquired during the market making process) through market making process on the platform of the exchange:

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- 1.1. Market Maker shall inform the Exchange about the inventory exhaustion in the prescribed format (Refer Annexure 1) along with copy of the relevant demat account transaction-cum-holding statement (duly certified/stamped by the Depository Participant) evidencing the same.
 - 1.2. Market Maker shall continue the market making process by providing one-way 'Buy' quote for atleast 75% of time in a day, until the new inventory is acquired (i.e., shares acquired during the market making process) for the security.
2. Upon acquiring the new inventory, Market Maker shall resume to provide two-way quotes for atleast 75% of time in a day, within permissible bid-ask spread limit as per the obligations and responsibilities of market maker mentioned in SEBI circular dated April 26, 2010 and Exchange circular dated August 6, 2012.

Market Makers are advised to ensure compliance with the SEBI/ Exchange circulars issued from time to time.

In case of any further queries, you may write to us at surveillance@nse.co.in.

For National Stock Exchange of India Limited

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