

National Stock Exchange of India

Circular

| Department: Compliance | |
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| Download Ref No: NSE/COMP/55482 | Date: February 02, 2023 |
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To All Members,

Sub: Revised Code of Advertisement for Stock Brokers

This circular supersedes the Code of Advertisement prescribed by the Exchange vide circular ref. no. NSE/COMP/33643 dated November 16, 2016. The revised Code of Advertisement is provided as Annexure appended below. Members are advised to ensure strict compliance with the same.

For any support, please reach out to the helpdesk on 1800 266 0050 (Select IVR option 3) or email at memcompliance_support@nse.co.in.

For and on behalf of
National Stock Exchange of India Limited

Pradnya Pinto
Chief Manager

National Stock Exchange of India

Revised Code of Advertisement

1. Advertisement shall include all forms of communication issued by or on behalf of or in relation to Stockbroker in publicly available media that may influence investment/trading decisions of any investor/prospective investors. It also includes internal communication to registered clients that may influence investment/trading decisions.
2. Forms of communications shall include but shall not be limited to all written or audio or visual form including social media forms including use of workshops and the like.
3. Broad guidelines:
 - 3.1 Prior approval for all Advertisement should be obtained from the Exchange before issuance of Advertisement.
 - 3.2 Any Advertisement issued by Authorized Persons/Business Partner/Channel Partner of the members or Influencer/Blogger being paid by members, shall require prior Exchange approval. Any advertisement issued by Authorized Person on their own shall not be entertained by the Exchange.
 - 3.3 Members are hereby advised to undertake adequate due diligence to ensure that content used by the above strictly adheres to the Code of Advertisement prescribed by the Exchange/SEBI from time to time.
 - 3.4 In the event of suspension of any Member by the Exchange, the Member so suspended shall not issue any Advertisement either singly or jointly with any other Member, during the period of suspension.
 - 3.5 In the event of any proceeding/action initiated against a Member by a regulatory body other than the Exchange, the Exchange reserves the right to direct the Member to refrain from issuing any Advertisement for such period as it may deem fit.
 - 3.6 Members should have an internal policy/framework to ensure compliance by itself and Authorized Persons/Business Partner/Channel Partner of the members or Influencer/Blogger being paid by members, with the circulars/guidelines issued by the Exchange/ SEBI for Advertisements.
 - 3.7 Any promotion for the mobile application of the Member (with or without account opening or Products/Services info) will require prior Exchange approval.

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3.8 In case of any third-party issuing Advertisement on any platform without the consent of the Member and the Member disowns the said Advertisement, in such case, the Member is required to take appropriate legal action against such entity and inform the Exchange regarding such action and outcome thereof.

3.9 Information contained in the Advertisement should be accurate, complete and unambiguous.

4. Advertisement shall contain:

4.1 Name of the Member, complete registered office address, SEBI Registration number (all registration numbers and names of the Exchanges in case of multiple memberships)/Member ID allotted by Exchange and logo of the Member, if any.

4.2 Standard warning in legible fonts (minimum font size 10) which states '*investments in securities market are subject to market risks, read all the related documents carefully before investing.*' No addition or deletion of words shall be made to the standard warning.

4.3 In audio-visual media-based advertisements, the standard warning in visual and accompanying voice over reiteration shall be audible in a clear and understandable manner. For example, in standard warning both the visual and the voice over reiteration containing 14 words running for at least 5 seconds may be considered as clear and understandable. This is also applicable for video content, or any other content/information issued by Authorized Persons/Business Partner/Channel Partner of the members or Influencer/Blogger.

4.4 In case the mode of advertisement is in the form of SMS/Message/Pop-up, etc. and the details such as full name, logo, complete registered office address, SEBI registration numbers and standard disclaimer are not mentioned, then a hyperlink to the official website must be provided in such SMS/Message/Pop-up, etc. and the website must contain all such prescribed details.

4.5 If there is a mention of content pertaining to any other business activity such as Mutual Funds, IPO, Insurance, Commodities, Bonds, Loans, etc., in the advertisement, then respective registration number(s) where applicable must be mentioned.

4.6 If the member is only a distributor/s for any of the products mentioned in the advertisement, disclaimer that they are only distributor/s of such products must be specifically mentioned in the disclaimer.

4.7 In case any specific security/securities are displayed in the Advertisement as examples, disclaimer that "The securities are quoted as an example and not as a recommendation" must be mentioned on the same slide of the written creative / frame of the video where the same is displayed and not at the end of the creative / advertisement. The logos of the securities quoted shall not be used in the creative.

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- 4.8 If the Advertisement contains prepaid Brokerage schemes, Exchange circular (ref. no. NSE/INSP/26252 dated March 24, 2014) regarding pre-paid schemes should be complied with. In case, anything related to the brokerage rates offered by the Member is mentioned in the Advertisement, then a disclaimer stating that the “Brokerage will not exceed the SEBI prescribed limit” must be mentioned.
- 4.9 Statistical information, charts, graphs, etc. when used should be supported by their source (certification by a practicing professional or other authentic verifiable source, if any).
- 4.10 Where advertising claims are expressly stated to be based on, or supported by independent research or assessment, source of such data and the period it relates to, must be indicated in the advertisement. Further, authentic source of such information must be provided in the Advertisement.
- 4.11 Name and Logo of the Exchange shall not be used by the members in their creatives / advertisement.
5. Advertisement/Material shall not contain:
- 5.1 Superlative terms, such as best, no. 1, among market leaders, etc. unless such terms are provided by an entity independent of the Member and its affiliates, and whose services are not procured by the Member or any of its affiliates in order to assign the Member such term.
 - 5.2 Any statement which directly or indirectly discredits other advertisements or Member or make unfair comparisons. The advertisement issued should not imitate any advertisement by other Members.
 - 5.3 Any recommendation/promotion of a specific scrip/contract, in any manner including by way of reference to past performance or research material, shall not be permitted.
 - 5.4 Celebrities shall not form part of the advertisements including but not limited to, in the form of cartoons/memes, etc. The word ‘celebrity’ means and includes any person:
 - a. who feature in the top 50 rankings in any celebrity index published by a national publication of repute which is publicly available. The celebrity index should be latest available or at the most one-year old.
 - b. who has played lead role or one of the lead roles in any mainstream/prominent/popular movies/TV serials/TV shows/web-series on any of the OTT platforms.
 - c. who is an Influencer with more than 10 Lacs followers/subscribers (per social media handle) on any social media platform that includes but not limited to YouTube, Instagram, Facebook, Twitter, etc.

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- d. who being a Sports person has been part of National team of the country to which he belongs or has represented his country in international tournaments/events such as Olympic Games, Asian Games, Commonwealth Games, popular sports events telecasted on television such as Kabaddi, Cricket IPL, etc. and competitive games at international level for that given sport, etc.
- e. who has been host or one of the hosts or anchors or one of the anchors for any TV programs such as quizzes, cooking shows, news channels, comedy shows, dance shows, song shows, award functions and such other entertainment programs at least for one season or for a minimum of 10 episodes, as the case may be.
- f. who has been winner or runners-up in any prominent/popular competitive program aired on TV/OTT platform or any prominent personality who has gone through a series of qualifying rounds (for elimination of competitors) which may be known as qualifying round, quarter finals, semifinals and finals or by any other name.
- g. who is a virtual character (fictional computer 'people' or avatars who have the realistic characteristics, features and personalities of humans) that bears influence on their audience/followers.
- h. who in the view of Exchange is capable of influencing the opinion of viewers of the advertisement.

Notwithstanding anything contained in these guidelines, decision of the Exchange shall be final in determining if the person made a part of the advertisement/material is a celebrity or not.

5.5 Incentive/referral schemes

- a. Members shall refrain from providing any form of incentive/vouchers/coupons/certificates/tokens, by whatever name called, to their clients for account opening/trading/activating inactive trading accounts of clients or any kind of subscription plan or for downloading mobile application etc. Members shall not offer any scheme/plan to clients which compel them to undertake/execute trades/transactions with the Member, in order to avail/continue to avail certain benefits, previously given, under brokerage plan/upon account opening.
- b. Members or anybody associated with the Member including the Authorized Persons/Associates/Channel Partners/Influencers/Bloggers shall not promote or incentivize trading/transactions, in any form including but not limited to distribution of brokerage waivers/cashback/certificates/medals/gifts/prizes/coupons/tokens.
- c. Members should abide by the guidelines on incentives/referral schemes issued by Exchange vide circular ref. no. NSE/INSP/43824 dated March 11, 2020, or any other guidelines/circulars issued from time to time.

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5.6 Schemes/leagues/competitions:

- a. Member shall not deal or directly/indirectly sponsor or be associated in any kind of scheme/league/competition/quiz/game/lottery/engagement programs with general public/clients etc. which involves distribution of money/certificates/medals/gifts/prizes/coupons/tokens/etc. or any form of incentive monetary or otherwise, by whatever name called and has the effect of inducing the investors/clients to promote their brand in any manner or promote/incentivize trading/transactions.
- b. No reference of Member's name, logo, etc. can be made in any schemes/leagues/competition, etc.
- c. Members shall not share any information of their clients with a third party, even with the clients' consent, in case any third party is involved in launching schemes/leagues/competition, etc.
- d. Members shall not take any financial liability, including any contingent financial liability, on account of any schemes/leagues/competition, etc. launched by a third party.

5.7 Algorithmic trading services/strategies: Members who are providing algorithmic trading services/strategies as well as Members who feature in any of the platform offering such services are advised to refrain from undertaking the following:

- a. directly or indirectly make any reference to the past performance or expected return out of algorithmic trading services/strategies in any form of advertisements/business communication on publicly accessible platforms including and not limited to social media/websites/digital & print media etc.
- b. not make any reference to the past performance or expected return out of algorithmic trading services/strategies, during any presentation/account opening forms/pamphlets/banners/forums /gatherings organized to onboard new clients/pitching new segment/product to existing clients including, exhibiting of past performance, or expected return on any of the platforms used by Authorized Persons/Vendor/associated entities of the Member, except as permitted.
- c. directly or indirectly associate with any platform providing any reference to the past or expected future return/performance of the algorithm.

5.8 Anything which is otherwise prohibited for publication under the relevant Act.

5.9 Any false/misleading/biased/exaggerated/deceptive/ambiguous statement or any misleading testimonials.

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- 5.10 Any promise or assurance of any fixed/guaranteed/indicative returns to prospective/existing clients. Members are not permitted to undertake any business/activity that is not allowed under the Byelaws, Rules & Regulations and circulars of SEBI/Exchanges including operating any scheme of unauthorized collective investment/portfolio management, promising indicative/guaranteed/fixed returns/payments etc.
- 5.11 Recommendations such as BTST (Buy Today and Sell Tomorrow), ATST (Acquire Today and Sell Tomorrow) etc. cannot be mentioned in the Advertisement as per Exchange circular ref. no. NSE/COMP/13186 dated October 05, 2009.
- 5.12 Logo of other entities cannot be used unless specific approval is obtained from the respective entities.

6. Advertisements which do not require Exchange Approval

Following shall be exempted from seeking Exchange prior approval, provided there is no reference to the Member's product or services or Brokerage plans, or any other promotional activities etc. in the said communication:

- a. All communications/material/articles issued by the Member subject to holding necessary registrations required under SEBI regulation:
 - i. For educational/information purposes, knowledge sharing/training and has no influence the investment/trading decisions of any investors.
 - ii. To clients in the capacity of a research analyst/investment advisor covered under SEBI (Research Analysts) Regulations, 2014.
 - iii. To clients in the capacity of distributor (with necessary disclaimers as specified in NSE circular ref.no. NSE/COMP/43373 dated Jan 30, 2020).
 - iv. To promote activities covered under SEBI (Investment Advisers) Regulations 2013.
 - v. To promote activities covered under Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020.
 - vi. Any communication that is limited to market commentary concerning overall changes in the market on a particular day, or a discussion of economic news wherein there is no mention of any information that can influence the investment/trading decisions of any investor.
- b. Wishes /Greetings from company on events/festivals by the Member which does not involve any form of promotional activities.
- c. Press release/audio & video interviews by members which cannot influence the investment/trading decisions of any investors.

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- d. All public communications, inviting applications for franchisees/authorized persons, etc. to drive the business expansion of the Member, provided such communication does not have any information that can influence the investment/trading decisions of any investor.
 - e. Sponsorship for TV shows/Talk show and events which does not involve any form of promotional activities and is only limited to sponsorship.
 - f. Content which is exclusively for Non-Broking Products/Services e.g., Mutual Fund, Mutual Fund-SIP, Research reports, Insurance, etc. where the Member is just a distributor. This should contain specific disclosure that these are not Exchange traded products, and the Member is just acting as distributor. It should also state that all disputes with respect to the distribution activity, would not have access to Exchange investor redressal forum or Arbitration mechanism.
 - g. Advertisements that have been approved previously and that are to be used without any change except changes to factual information whether it is issued by Member, Channel Partner or employee. However, such advertisements should be issued within 180 days from the date of approval by the Exchange.
 - h. Third party can publish any content related to the products/services offered by them, that has been approved by the Exchange as content to be used by a Member within 180 days from the date of such approval.
 - i. If an advertisement is approved by Exchange for a specific medium (for e.g., print media) and the same advertisement without any change in the content is redesigned for a different medium (for e.g., social media, etc.) then no further approval would be required. However, such advertisements should be issued within 180 days from the date of approval by the Exchange.
7. Approval provisions:
- a. Members can apply for Advertisement approval through 'NEW ENIT-COMPLIANCE' module.
 - b. A maximum number of 5 creatives can be included in one advertisement for approval.
 - c. Copy of the complete advertisement including contents provided in the link shall be submitted in the form of pdf (videos to be provided either through email/CDs/Pen drives, any other acceptable mode) to the Exchange at least seven working days in advance before issuing the advertisement.
 - d. Members shall provide an undertaking as per the format provided (Annexure A) confirming compliance with the code of advertisement.

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- e. Members shall provide an undertaking as per the format provided (Annexure B) while submitting the draft content/script/advertisement that has individuals forming a part of it, to the Exchange for approval.
 - f. Members shall provide an undertaking as per format provided (Annexure C) while submitting the draft content/script/advertisement that has references for trading in options.
 - g. In case a creative is issued in more than one language, Member shall provide an Undertaking that the same is verbatim to the one issued in Hindi / English
8. Penalties:
- a) Members not complying with the Code for Advertisement may have to face disciplinary proceedings including but not limited to penalty of Rupees One Lakh per instance (As per circular Download Ref. No.: NSE/INSP/52085 dated April 22, 2022) or any other penalty prescribed by the Exchange from time to time.
 - b) In case a Member issues an advertisement despite Exchange rejection, the Member shall be, in addition to the monetary penalty, restricted from taking new clients for one month or till such time the advertisement is taken down, whichever is later.
 - c) In case of repeated violations, monetary penalty shall be levied with an escalation of 50%.

Additionally,

- 1. In case member issues advertisement without Exchange approval on 3 occasions, member shall be debarred from taking new clients for one month.
- 2. In case member issues advertisement without Exchange approval on 5 occasions, the trading rights shall be withdrawn for one working day or till the approval is sought, whichever is later.
- 3. In case member issues advertisement despite Exchange rejection on two occasions, in addition to the monetary penalty, trading rights shall be withdrawn for one day or till such time the advertisement is taken down, whichever is later.
- 4. It may be noted that the penalties/disciplinary action(s)/charges are indicative in nature and could undergo change in specific cases depending on frequency and gravity of the violations. Such cases will be placed before the relevant authority of the Exchange for appropriate action.

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Notwithstanding anything contained in these guidelines:

- a) Members must comply with code of conduct prescribed under Regulation 9 of SEBI (Stock Brokers) Regulations, 1992 and all relevant Byelaws, rules & regulations and of SEBI/Exchange with respect to sharing of Brokerage, account opening, inducement to trade, sales practices, orders placement etc. issued from time to time.
- b) Decision of the Exchange shall be final in determining whether the advertisement is complying with this Code.