

# National Stock Exchange of India

## Circular

Department: MEMBER COMPLIANCE	
Download Ref No: NSE/COMP/ 56947	Date: June 02, 2023
Circular Ref. No: 44/2023	

To All Members,

### **Sub: Market Access through Authorised Persons**

Member's attention is drawn to SEBI circular ref. no. MIRSD/DR-1/Cir – 16/09 dated November 06, 2009, and various circulars issued by Exchange vide reference nos. NSE/INSP/28434 dated December 24, 2014, NSE/INSP/42448 dated October 18, 2019, NSE/COMP/48536 dated June 09 2021, NSE/COMP/49509 dated September 03,2021 and NSE/COMP/50030 dated October 21, 2021, wherein a supervisory framework was provided governing market access through Authorised Persons (APs), by SEBI registered stock brokers of the Exchange.

With a view to exercise adequate control and supervision over the activities conducted by the APs, there is a need for a more efficient framework. This is in the best interest of investors and will also help to promote transparency and accountability within the ecosystem.

In addition to the Exchange circulars mentioned above, Trading Members are required to make a note and adhere to the below mentioned:

1. **Revision in AP Registration & Cancellation Fee and introduction of Annual Maintenance Charge AMC:**  
Trading Members are advised to note the below stated revised fee structure for AP Registration w.e.f. July 1, 2023. In addition, Exchange has introduced an Annual Maintenance Charge (AMC) which will be applicable to the Trading Members towards all the registered APs across segment, as on March 31 of every year. The AMC will be effective from the financial year 2024-25.

To reduce the risk posed by inactive APs to the market, Exchange has decided to offer a waiver on cancellation fee which will allow Trading Members to de-register all inactive APs. The same will be effective from July 1, 2023.

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### Revised Fee Structure:

Activity	Current Fees	Revised Fees
AP Registration	Rs. 2,000/- per segment (plus applicable GST)	Rs. 5,000/- per segment (plus applicable GST)
AP Cancellation	Rs. 1,000/- per segment (plus applicable GST)	NIL
AP Annual Maintenance Charge	NIL	Rs. 5,000/- for all segments (plus applicable GST)

2. In addition to monitoring the trading terminals and activities of APs, Trading Members are advised to identify AP terminals where no trades have been placed in the last six months or have been inactive and ensure that they are deactivated on an immediate basis. Also, Trading Members are required to monitor that trades placed on the AP terminal are commensurate with the number of clients mapped to them. Further, Exchange shall be issuing a fresh circular in due course, wherein Trading Members would require to update the terminal details along with additional information pertaining to the APs registered with them.
3. At all points in time, Trading Members shall exercise adequate control and due diligence over the activities, conduct and transactions of their APs by conducting surprise and periodic Inspections and taking regular feedback from the clients of the APs. In case any anomaly is identified, Trading Members shall take necessary disciplinary actions against their APs. Further, Trading Members shall be vicariously and severally liable for any violation committed by their APs including operating any schemes of unauthorised collective investments/portfolio management and promising indicative/guaranteed/fixed returns etc. The Indian Contract Act, 1872 defines an 'Agent' in Section 182 as a person employed to do any act for another or to represent another in dealing with third persons. Accordingly, all provisions of Indian Contract Act, 1972 with respect to 'Agent' shall be applicable to Trading Members and APs associated with them.
4. It is further reiterated, that Trading Members shall be held responsible and accountable for all acts of omission and commission of their APs and/or employees at their branches including any arrangements entered by the AP/employees with the clients of the Trading Member including:
  - a) Any unauthorised trading on behalf of the investors
  - b) Participation in any scheme of price manipulation willingly or unwillingly
  - c) Allowing investors to trade in instruments or amounts beyond limits specified in the SEBI/Exchange regulations/circulars.

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5. Enhanced due diligence to be done by the Trading Members:
  - a) As per the existing process, Trading Members are required to submit KYC documents of the APs, at the time of onboarding. With a view to ensure that an AP is suitable for the role, Trading Members are hereby advised to perform enhanced due diligence, by means of in-person verification/site visits, validating their PAN, conducting background checks, ensuring that they are not a part of SEBI & Exchange debarred list (ongoing basis) and any other activity as deemed fit.
  - b) That all the details pertaining to the APs are provided at the time of onboarding, such as complete address (including Premises number, Building name, Area, City, State and Pin code) along with valid email address and contact number (for e.g., valid 10-digit mobile number/landline with City code). Further, Trading Members shall ensure that email address and contact details of an AP are not mapped to any of their existing APs and or clients of the Trading Members. A continual monitoring process should be in place, to identify such instances.
  - c) Trading Members shall ensure following:
    - i. Director/Partner of a registered AP/Trading Member is not appointed in the capacity of AP with any other Trading Member, or the same Trading Member registered with the Exchange.
    - ii. Director/Partner of an AP is not associated as Designated Director/Designated Partner/Compliance Officer with any Trading Member registered with the Exchange.
    - iii. Director/Partner of AP is not associated as Director/Partner with other AP registered with the Exchange.
    - iv. Further an Authorized person shall be affiliated with only one Trading Member of the Exchange at any point in time.
  - d) Members should restrict entities with names which may mislead clients/investors, including names with "Portfolio/wealth management/advisory" without a valid SEBI registration as specified in the Exchange circular no. NSE/COMP/55716 dated February 22, 2023.
6. Trading Members are advised to capture actual reason on ENIT portal, while cancelling AP registration based on disciplinary grounds.
7. To enhance effectiveness of the supervision and Inspection, below stated guidelines will be applicable from financial year 2024 – 25:
  - a) The scope of AP inspection has been increased from "Active APs" to "All Registered APs."
  - b) Every Trading Member shall be required to conduct regular Inspection based on the volume/turnover of the registered AP as seen below:

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Revised Criteria based on volumes / turnover	Period of Inspection
Top 50% of Registered APs	Once a Year
Subsequent Top 30% of Registered APs	Once in 18 months
Remaining 20% of Registered APs	Once in 2 years

- c) It may be noted that the reporting requirement for Inspection conducted by the Trading Members shall remain as specified in the Exchange circular no. NSE/COMP/50030 dated October 21, 2021.
8. As directed in the Exchange circular no. NSE/COMP/50030 dated October 21, 2021, Trading Members shall report any incident observed by them involving assured returns or any unauthorised schemes operated by the AP to the Exchange within 2 working days. Trading Members, shall also take necessary measures, as mentioned in SEBI circular MIRSD/DR-1/Cir-16/09 dated November 06, 2009, including withdrawal of approval, withhold moneys due to the APs until resolution is offered to the investor problems, alert messages are sent to the investors in the location where AP operates, complaint is filed with the police station concerned, and all measures required are taken to protect the interest of investors and market. Exchange may also require Trading Members to obtain confirmation from their clients that there are no claims against such AP/s. Exchange may further ask for Press releases/advertisements regarding any disciplinary action taken by the Trading Member against the AP/s.
9. For the purpose of ensuring compliance and risk management practices in accordance with the regulatory requirements, Trading Members are advised to monitor their existing and newly onboarded APs based on the indicative scope as defined in the Exchange circular no. NSE/INSP/42448 dated October 18, 2019, which is re-iterated below:
- i. Whether all clients are registered directly with the Trading Member only.
  - ii. Adequate systems, including voice recording, have been put in place, with a view to ensure recording of order placement from clients. Trading Members must ensure that APs who do not have trading terminals assigned to them, cannot place trades on behalf of the Trading Member's clients.
  - iii. There is no movement of Funds and securities between the client and AP for settlement of trades on the Exchange. Demat statement and bank accounts of the AP to be examined to verify such instances.
  - iv. There are no cash dealings done by AP.
  - v. Documents like contract notes, statement of funds, daily margin statement are not generated and issued by the AP. However, AP may provide administrative assistance in procurement of documents from the Trading Member, after maintaining proper records of the same.
  - vi. All AP terminals are as per the information reported to the Exchange.
  - vii. Trading terminals are operated by approved and certified users.
  - viii. Notice board of the Trading Member containing all details/information prescribed from time to time, are displayed at the AP/s location.
  - ix. SEBI registration certificate of the Trading Member and registration letter issued by the Exchange is displayed at the location.

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- x. As required by SEBI circular CIR/MIRSD/3/2014 dated August 28, 2014, information about the grievance redressal mechanism available to investors is prominently displayed at the location.
- xi. The Authorised Person is not involved in any fund-based activities/collecting deposits from investors/unauthorised trading/chit funds or any other such schemes.
- xii. The AP has not dealt with any other Trading Member/AP on behalf of its clients/self on the same Stock Exchange.
- xiii. AP has not dealt with any unregistered intermediary on behalf of its clients/self.
- xiv. The AP is not involved in accepting deposits from the public and giving assured returns to their clients.
- xv. Advertisements for soliciting business are not issued by the APs in newspapers/pamphlets /journals/magazines etc., without seeking appropriate approvals from the Exchange, through the Trading Member.
- xvi. Complaints received by and against the APs are handled appropriately and proper records are maintained.
- xvii. Trading activities/Turnover of APs are monitored, and necessary actions/investigations are undertaken on a timely basis. Trading Member shall de-activate all trading terminals extended to AP which are inactive for more than 6 months and update the Exchange records. Appropriate due diligence to be undertaken in case of re-activation of such terminals.
- xviii. The AP has the necessary infrastructure like adequate office space, equipment, and manpower to effectively discharge the activities on behalf of the Trading Member.
- xix. Proper segregation and demarcation are maintained at AP office for any permissible activity other than the broking business.
- xx. Branch/AP records/data are properly maintained with confidentiality in a secure manner including sufficient backup.
- xxi. In case of change/shifting of location of AP/Branch, the following is ensured:
  - a) All clients mapped to the AP/Branch are notified at least thirty days before the change.
  - b) Notice Board and applicable SEBI registration certificates are immediately put up at the new location.
  - c) The new location shall be duly reported to the Exchange and the old location should be deactivated. New terminal details shall also be uploaded to the Exchange.

All Trading Members are advised to take note of the above and ensure strict adherence to the compliance requirements.

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

**Pradnya Pinto  
Chief Manager**